Man Sang International Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 0938

Annual Report 2010

the Ultimate name in Pearls

Contents

Overview

2 Corporate Information
3 Corporate Profile
6 Financial Highlights
8 Highlights of the Year 2009/2010
12 Chairman's Statement
16 Corporate Structure
17 Management Discussion and Analysis
22 Profile of Directors and Senior Management
25 Corporate Governance Report
47 Directors' Report

Financial Section

57 Independent Auditor's Report
59 Consolidated Income Statement
60 Consolidated Statement of Comprehensive Income
61 Consolidated Balance Sheet
63 Balance Sheet
64 Consolidated Statement of Cash Flows
66 Consolidated Statement of Changes in Equity
68 Notes to the Consolidated Financial Statements
130 Five-year Financial Summary
131 Major Properties

Pearls

Assembled Jewelry

China Pearls & Jewelry City

Corporate Information

BOARD OF DIRECTORS

Chairman

Mr. Cheng Chung Hing *(Non-executive Director)*

Executive Directors

Mr. Cheng Tai Po *(Deputy Chairman)*
Mr. Lee Kang Bor, Thomas *(Chief Executive Officer)*
Ms. Yan Sau Man, Amy

Independent Non-executive Directors

Mr. Fung Yat Sang
Mr. Kiu Wai Ming
Mr. Lau Chi Wah, Alex

COMPANY SECRETARY

Mr. Pak Wai Keung, Martin

AUDIT COMMITTEE

Mr. Fung Yat Sang *(Chairman)*
Mr. Kiu Wai Ming
Mr. Lau Chi Wah, Alex

REMUNERATION COMMITTEE

Mr. Kiu Wai Ming *(Chairman)*
Mr. Fung Yat Sang
Mr. Lau Chi Wah, Alex
Mr. Cheng Chung Hing
Mr. Cheng Tai Po

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

As to Hong Kong 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

COMPANY WEBSITE

www.man-sang.com

Corporate Profile

Man Sang International Limited (the "Company") and its subsidiaries (the "Group") have two main business segments. One segment is in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the "Pearls and Jewelry business"). The other is in property development and investment (the "Property Development and Investment business").

The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited since 1997 under the stock code of 0938. The holding company of the Company, China Metro-Rural Holdings Limited (formerly known as Man Sang International (B.V.I.) Limited) is a company incorporated in the British Virgin Islands with its shares listed on the NYSE Amex (formally known as "American Stock Exchange") under the ticker symbol of "CNR" (formerly "MHJ").

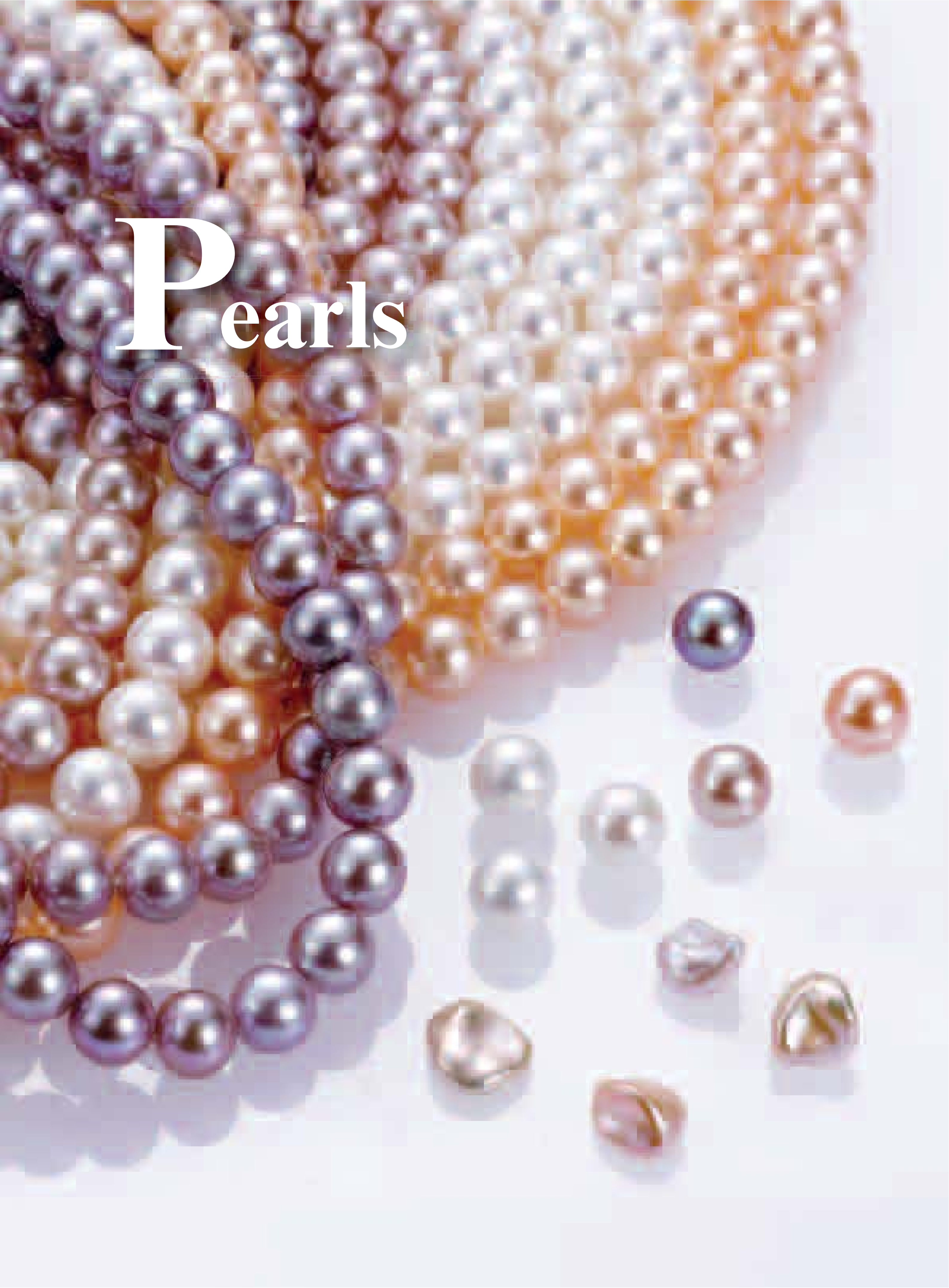
The Group is one of the world's largest merchants, purchasers and processors of pearls. Processing, manufacturing and assembling of pearls and jewelry products are conducted at the Group's self-owned facilities in the Man Sang Industrial City in Shenzhen, the People's Republic of China (the "PRC"). There are 27 blocks of buildings with total gross floor area of approximately 76,000 square meters in the Man Sang Industrial City.

With its rich experience in pearl business gained over the years, the Group in 2006 joined with six major pearls and jewelry companies in the PRC to develop a large-scale international pearl and jewelry trading platform, the China Pearls and Jewelry Project ("CP&J Project") in Zhuji of Zhejiang, the PRC. CP&J Project is designed to be the world's largest pearl and jewelry trading platform providing facilities for processing, manufacturing, research and development, and trading of pearl and jewelry products, as well as related supporting services including logistics, electronic commerce, exhibition and convention, accommodation, catering and entertainment. As of 31 March 2010, 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 2 or 3-storey shop units and 1,128 booths), covering a total gross floor area of approximately 130,000 square metres as well as four blocks of manufacturing and processing buildings with total gross floor area of approximately 42,000 square meters. We expect to complete the construction of one apartment building and one office & commercial complex building for our phase one of CP&J Project in the first half of financial year 2011.

Face the world's challenges

Optimise the strengths of Man Sang

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.

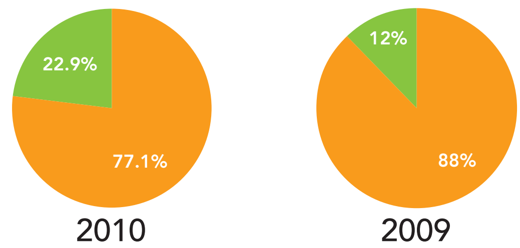
Financial Highlights

	2010 HK$'000	2009 HK$'000	change HK$'000	%
Key Financial Performance				
As at and for the year ended 31 March				
Turnover	**339,379**	359,734	(20,355)	-6%
Gross profit	**62,777**	133,312	(70,535)	-53%
Loss before income tax	**(39,223)**	(185,709)	146,486	N/A
Loss for the year	**(24,909)**	(134,944)	110,035	N/A
Profit/(Loss) attributable to the equity holders of the Company	**13,365**	(72,336)	85,701	N/A
Earnings/(Loss) per share				
— Basic	**HK1.09 cents**	HK(5.91) cents	HK7.00 cents	N/A
— Diluted	**HK1.07 cents**	HK(5.91) cents	HK6.98 cents	N/A
Net assets	**1,210,890**	1,262,421	(51,531)	-4%
Key Financial Ratios				
As at and for the year ended 31 March				
Gross profit margin	**18%**	37%		
Current ratio (times)	**1.5**	1.6		
Gearing ratio (Total bank borrowings/total equity attributable to equity holders of the Company)	**0.16**	0.17		
Return on equity shareholders' fund (Profit/(loss) attributable to equity holders of the Company/Total equity attributable to equity holders of the Company)	**1%**	(6%)		

All segments

1) Revenue by business segment

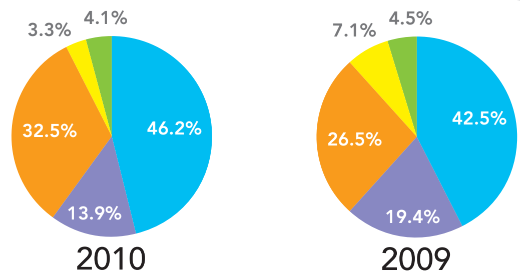
- Pearls and jewelry segment
- Property development and investment segment



All segments

2) Revenue by geographical segment

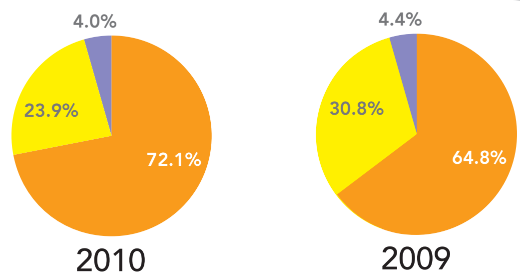
- Hong Kong
- Europe
- North America
- Other Asian Countries
- Other



Pearls and jewelry segment

3) Revenue by product

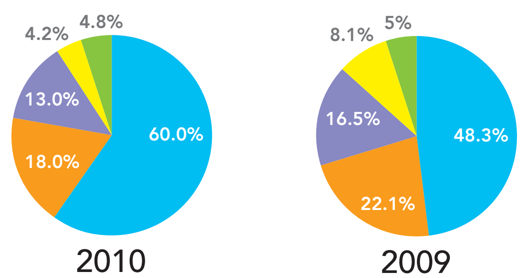
- Saltwater pearls
- Freshwater pearls
- Assembled jewelry



Pearls and jewelry segment

4) Revenue by geographical segment

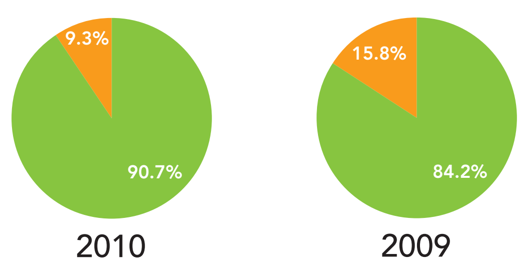
- Hong Kong
- Europe
- North America
- Other Asian Countries
- Other



Property development and investment segment

5) Revenue by business sector

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



Highlights of the Year 2009/2010

2009 Annual General Meeting

CP&J City was graded a National Four-A Tourist Attraction

2009 APR MAY JUN JUL AUG SEP

26 March–2 April 2009

Participated the Baselworld 2009 — World Watch Jewellery Show

16–20 May 2009

Participated in Vicenza Charm

30 May–3 Jun 2009

Participated in JCK Show — Las Vegas, the United States

18–21 June 2009

Participated in June Hong Kong Jewellery & Gem Fair

23 July 2009

2009 Annual General Meeting at the Royal Garden

17–21 September 2009

Participated in Vicenza Choice

21–25 September 2009

Participated in September Hong Kong Jewellery & Gem Fair

October 2009

China Pearls and Jewellery City (CP&J City) , Zhuji, PRC was graded a National Four-A Tourist Attraction

26–29 November 2009

Participated in JMA Hong Kong 2009

The 7th China (International) Pearl Festival Opening Ceremony

OCT NOV DEC JAN FEB MAR 2010

Government Official delivering a Speech for the Pearl Festival Opening Ceremony

Government Official visting our CP&J City

CP&J City graded a Five-Star (Good Governance) Market of Zhejiang Province

Hong Kong International Jewellery Show

16–21 January 2010

Participated in Vicenza First

January 2010

CP&J City, Zhuji was graded a Five-Star (Good Governance) Market of Zhejiang Province

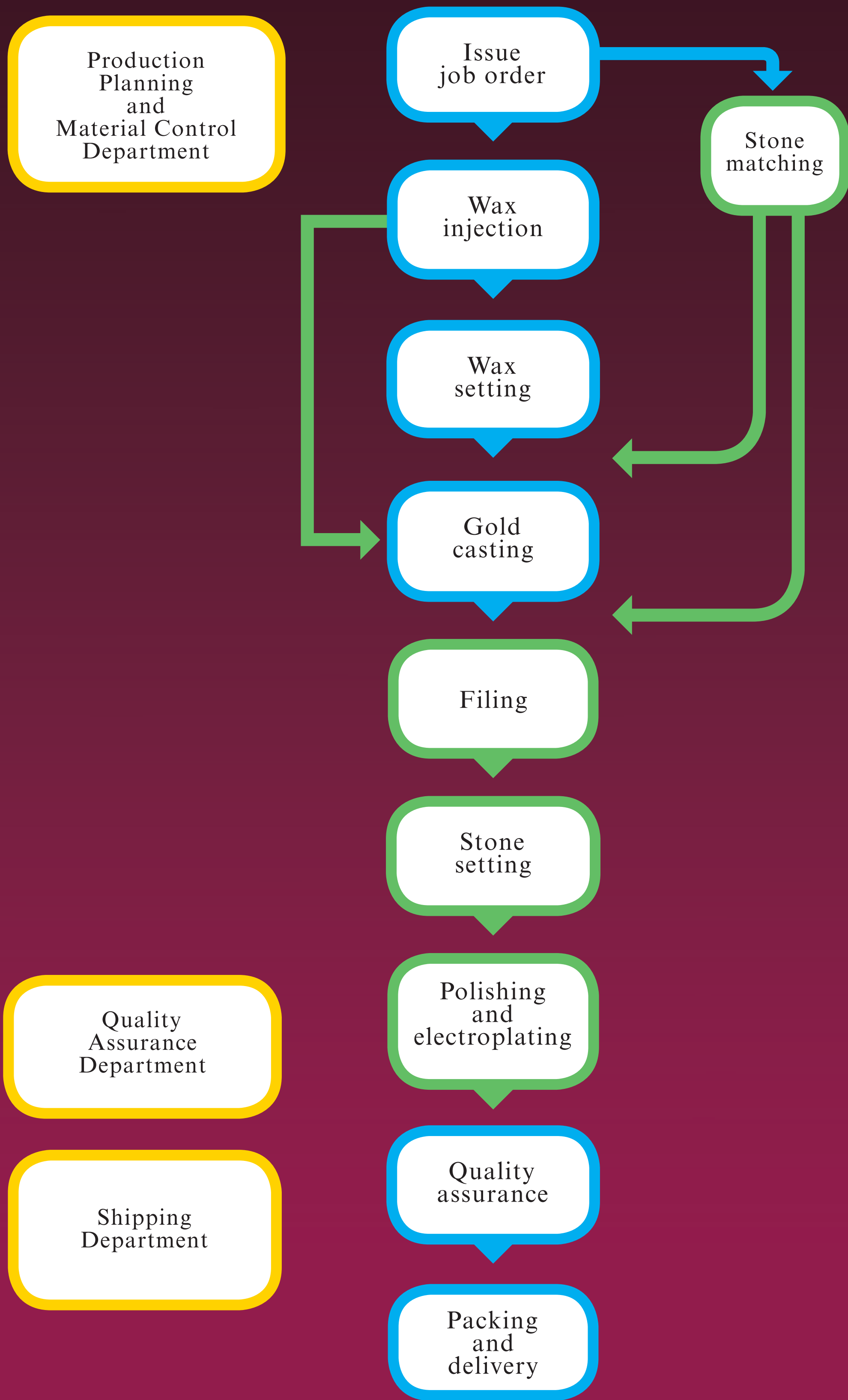
5–9 March 2010

Participated in Hong Kong International Jewellery Show 2010

16–18 April 2010

The 7th China (International) Pearl Festival and the 2nd Pearl and Jewellery Purchasing Fair held at CP&J City, Zhuji, Zhejiang, PRC

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, silver and other accessories. These jewelry sets include assembled necklaces, earrings, brooches, rings, pendants and bracelets.

Chairman's Statement

Allow me to present the results of operations of Man Sang International Limited ("the Company") and its subsidiaries (collectively, "the Group") for the year ended 31 March 2010.

Performance

The Group recorded a profit attributable to equity holders of the Company of HK$13 million and basic earnings per share of HK1.09 cents in 2010, against a loss of HK$72 million and basic loss per share of HK5.91 cents respectively recorded in 2009.

The Group's revenue decreased by HK$21 million or 5.8% from HK$360 million in 2009 to HK$339 million in 2010 while the gross profit decreased by HK$70 million or 52.6% from HK$133 million in 2009 to HK$63 million in 2010.

Despite our continuous efforts in the marketing and sales of our pearl and jewelry products in the global markets, the United States and Europe in particular, as well as our efforts made in the sales and leasing of our properties in China, our results of operations have inevitably been adversely affected on the one hand by a weakened global economy which has yet to recover from the financial turmoil and recession, and on the other, the recent tightening measures taken by the Chinese Government to cool down the property market.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2010 (2009: Nil).

Prospects

We anticipate that the general customer spending pattern heavily and adversely affected by the global economic contraction and persistent high unemployment rates will take time to recover before our pearl and jewelry industry as a whole may benefit. We will take a more prudent approach closely monitoring our costs of operations and liquidity while at the same time adopting a more flexible strategy to appropriately adjust our focus from the United States and European markets to further expand into other growing markets. We will also closely monitor the development of the property market in China with a view to capturing any opportunities and benefits for the sales and leasing of our properties in China.

Heart-felt Thanks

Having gone through a year of difficulties in joint efforts with all our employees, I would like to thank them all, on behalf of the Board, for their unwavering commitment and hard work. We are also thankful to all shareholders for their valuable support which has for all the times been the driving force for our Group to move forward, both at times of peace and at times of difficulties.

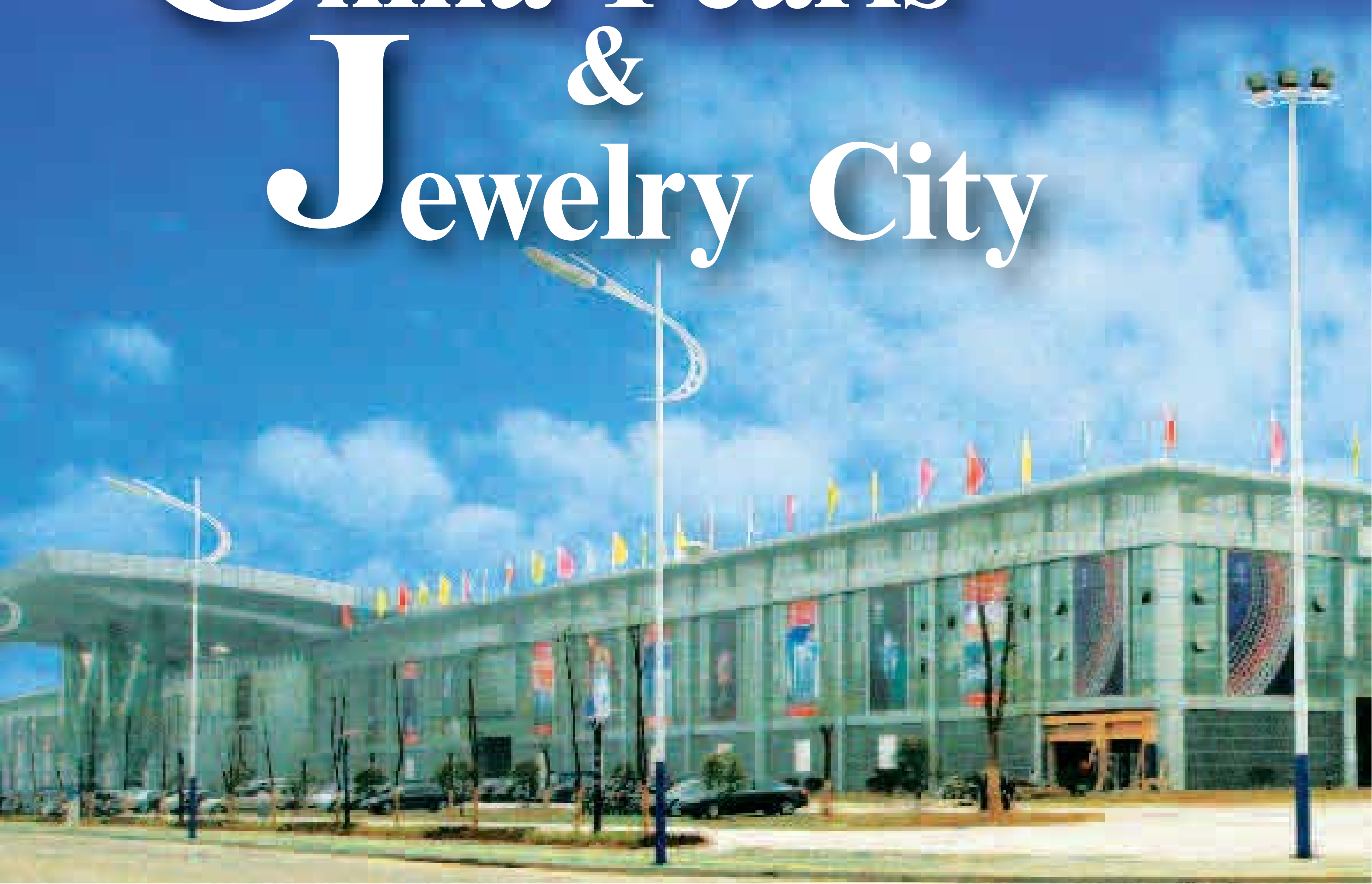
Cheng Chung Hing
Chairman

Hong Kong, 9 July 2010

Phase I Market Centre

Factories

China Pearls & Jewelry City



Office and
Commercial
Complex Building

Apartment
Building

Corporate Structure

China Metro-Rural Holdings Limited
(formerly known as Man Sang International (B.V.I.) Limited)
Listed on NYSE Amex
(Ticker symbol: CNR)

Man Sang International Limited

Pearls and Jewelry Segment

- Man Sang Jewellery Company Limited (100%)
- Arcadia Jewellery Limited (100%)
- Asean Gold Limited (100%)
- Man Hing Industry Development (Shenzhen) Co., Ltd. *(Note 2)* (100%)

Property Development and Investment Segment

CP&J Project in Zhejiang

- China Pearls and Jewellery City Holdings Limited *(Note 1)* (55%)
- China Pearls and Jewellery International City Co., Ltd. (55%)

In Hong Kong and Shenzhen

- Swift Millions Limited (100%)
- Man Hing Industry Development (Shenzhen) Co., Ltd. *(Note 2)* (100%)
- Hong Kong Man Sang Investments Limited (100%)

Note 1
China Pearls and Jewellery City Holdings Limited is the holding company of China Pearls and Jewellery International City Co., Ltd..

Note 2
Man Hing Industry Development (Shenzhen) Co., Ltd. is mainly engaged in the businesses of freshwater pearls and jewelry operation and real estate operation.

Management Discussion and Analysis

Business Review

Pearls and Jewelry Operations

The shortage in labour supply in Guangdong, wages and costs escalations throughout China, and the gradual appreciation of the Renminbi against the US Dollar and other currencies have created excessive pressure on the costs of processing and production of pearls and jewelry products in our production facilities in Shenzhen, Southern China.

The slow recovery and high unemployment rates in the United States and Europe, recent Euro crisis and concern over the sovereignty debt levels of Greece and several other European countries, the downgrading of credit ratings of some European countries and banks by international credit agencies of late and the drastic exchange rate fluctuations of Euro against US Dollars are adverse factors expected to slow down the pace of worldwide recovery from the global economic and financial crisis. It is anticipated that in the United States and Europe, which account geographically for the majority of our pearls and jewelry sales, consumer confidence level for luxury products will take much longer to improve and our major accounts in the two regions will remain cautious about replenishing their inventory level.

Against the difficult business environment faced by our Pearls and Jewelry Operations, we will on the one hand continue to closely monitor the development of our core markets and signs of further deterioration, and the business and credit assessment of all our major accounts, and will on the other hand exercise tight cost control and strict financial disciplines, in order to maintain adequate liquidity to fund our operations and to capture early opportunities of business and economic recovery when the market improves.

Property Development and Investment Operations

The Chinese Government initiated a series of strong tightening measures to reign in surging home prices and squeeze the liquidity out of the property market starting from end of 2009, reversing the effect of the economic expansion program of RMB4 trillion launched in late 2008.

These strong doses taken to restrain the over-heated property market and suppress house prices have immediately dampened demand for houses, drastically reducing property transaction volumes and cooling down prices in both the primary and secondary markets in the whole country.

The tightening of policies of bank lendings to purchasers of real estates and gradual hike of interest rates on property loans have had an adverse effect on the development and property sales of the China Pearls and Jewelry Project ("CP&J Project"). We are concerned that some investors may not be able to obtain bank finance to complete the purchase of the properties they have contracted for while some other investors might experience difficulty making on time instalment repayments of their property loans. Financial year 2011 promises to be a challenging year for our CP&J Project.

Given the current adverse environment of the property market in China, we have and will continue to adopt prudent and strict financial disciplines in the execution of our business strategies and development plan for the CP&J Project, and will closely monitor the development of the China property market to review and make timely adjustment to our business strategy.

Financial Review

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

Revenue and gross profit

(i) Pearls and Jewelry Segment

Net sales attributable to our Pearls and Jewelry Segment decreased by HK$55.2 million, or 17.4%, from HK$316.7 million for financial year 2009 to HK$261.5 million for financial year 2010 due to the decrease in market demand worldwide, as a result of the global economic contraction and recession.

Gross profit increased by HK$8.7 million, or 8.5%, from HK$102.8 million for financial year 2009 to HK$111.5 million for financial year 2010. The improvement of gross profit margin from 32.5% for financial year 2009 to 42.6% for financial year 2010 was primarily attributed to the reduced cost of purchase of fresh water pearls in the PRC, a result of slackened demand during the early part of the financial year.

(ii) Property Development and Investment Segment

For financial year 2010, the Property Development and Investment Segment recorded a total revenue of HK$77.9 million (2009: HK$43.0 million), mainly from sales of properties in the CP&J Project and rental income from our investment properties.

Income from sales of properties in the CP&J Project increased significantly from HK$16.4 million for financial year 2009 to HK$51.7 million for financial year 2010. Rental income decreased slightly by HK$0.4 million, or 1.5%, from HK$26.6 million for financial year 2009 to HK$26.2 million for financial year 2010. Rental income of HK$24.6 million (2009: HK$26.6 million) and HK$1.6 million (2009: Nil) were received from properties in the PRC and Hong Kong respectively.

To invigorate and stimulate the healthy development of the pearl and jewelry market in the CP&J Project, the Group entered into certain sales arrangements with no pre-determined payment terms and transferred the legal titles of the properties to their purchasers upon execution of the sales agreements and receipt of down payments of 24% of the selling price. In return, the Group retained the rights to use/lease these properties sold for a period of 5 years. Amounts recognised as revenue in this financial year consists of (i) down-payments of 24% of the selling prices, and (ii) the value of the rights retained to use/lease the properties, which are determined based on the present value of the rental income to be received from leasing out these properties factoring in the estimated occupancy rate of these properties. However, the strong measures initiated by the Chinese Government to cool down the property market from end of 2009 had created financial and operational difficulties for these shop investors. As the collectability of the remaining amounts (i.e. 76% of the selling price) to be received are not reasonably assured, the Group has not recognised the remaining amounts as its revenue, and as a result of which, the Group has recorded a gross loss of HK$48.7 million in the current financial year from the Property Development and Investment Segment, against a gross profit of HK$30.5 million for financial year 2009.

Pre-sale of residential units in a newly constructed building in the phase one development of the CP&J Project commenced in third quarter of this year of which contracts for sale and purchase of over 70% of the gross floor area have been signed. Sales income for these residential units has not yet been recognised in this financial year.

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

(i) Pearls and Jewelry Segment

S&A expenses decreased by HK$4.3 million, or 4.7%, from HK$91.4 million for financial year 2009 to HK$87.1 million for financial year 2010, mainly attributable to decrease in commission expenses of HK$3.8 million.

(ii) Property Development and Investment Segment

S&A expenses decreased significantly by HK$22.7 million, or 46.1%, from HK$49.2 million for financial year 2009 to HK$26.5 million for financial year 2010. The decrease was mainly due to reduction of provision for impairment of trade receivables of HK$15.1 million and cutting down on advertising and promotion costs associated with the CP&J Project, thereby saving an amount of HK$5.4 million.

Decrease in fair values of investment properties and investment properties under construction

According to valuation reports prepared by independent professional property valuers, as at 31 March 2010, the fair values of our investment properties and investment properties under construction in the CP&J Project decreased by HK$45.2 million (2009: decreased by HK$180.6 million) while other investment properties in Hong Kong and the PRC increased by HK$39.9 million (2009: decreased by HK$1.0 million). The net reduction in value for 2010 was HK$5.3 million (2009: HK$181.6 million).

Profit/(loss) attributable to equity holders of the Company

The Group recorded a profit attributable to equity holders of HK$13.4 million for financial year 2010 against a loss attributable to equity holders of HK$72.3 million for financial year 2009. The loss suffered in 2009 was mainly caused by the decrease in fair value of investment properties of HK$181.6 million.

Liquidity and capital resources

As at 31 March 2010, the Group's total equity was HK$1,210.9 million (2009: HK$1,262.4 million), the reduction was the combined result of payment of an interim dividend of HK$36.7 million and loss suffered for the year of HK$24.9 million. On 31 March 2010, the Group had working capital (representing net current assets) of HK$335.0 million (2009: HK$351.6 million). With the committed banking facilities in place and cash on hand, the Group has adequate financial resources to meet our budgeted liquidity requirements. Cash and cash equivalents totalled HK$501.5 million (2009: HK$462.8 million) accounted for 47% (2009: 49%) of the Group's total current assets as at 31 March 2010. Current ratio decreased slightly from 1.6 as at 31 March 2009 to 1.5 as at 31 March 2010.

As at 31 March 2010, the Group's total secured bank loans of HK$180.8 million (2009: HK$192.1 million) were mainly borrowed by and associated with the CP&J Project. From February 2010, new loans with maturity between 3 to 5 years were granted to the CP&J Project, with which the bank loans falling due in the financial year 2010 were fully repaid. Gearing ratio, in the ratio of total bank borrowings to total equity, maintained at 0.15 as at both 31 March 2009 and 31 March 2010.

As at 31 March 2010, the Group had available banking facilities of HK$330.8 million (2009: HK$392.1 million) with various banks of which HK$180.8 million (2009: HK$192.1 million) has been drawn and HK$150.0 million (2009: HK$200.0 million) remained unutilised. The Group does not currently use any derivatives to manage interest rate risk.

Major customers and suppliers

For financial year 2010, total sales from the five largest customers accounted for 41% (2009: 42%) of the total revenue of the Group, and total purchases from the five largest suppliers accounted for 50% (2009: 50%) of the total purchases of the Group.

Contingent liabilities

During financial year 2010, 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 utilised by subsidiaries during financial year 2010 (2009: Nil).

The Group entered into a mortgage collaboration agreement with a bank in Mainland China under which the Group agreed to indemnify the bank for any failure by purchasers of the Group's properties in CP&J Project to repay the borrowings or interest to the bank for the period before and up to the bank registering the certificates of real estate ownership as collateral for the borrowings. As at 31 March 2010, the Group has maximum exposure on the guarantees of HK$51.0 million (2009: HK$52.2 million).

Save as disclosed above, the Group had no other significant contingent liabilities as at 31 March 2010 (2009: Nil).

Treasury policy

The Group operates principally in Hong Kong and Mainland China and is exposed to foreign exchange fluctuations from various currencies. For financial years 2009 and 2010, most of the Group's transactions were denominated in United States dollars, Hong Kong dollars and Renminbi. Since Hong Kong dollar remains pegged to the United States dollars within a defined range, the Group has not been exposed to any significant foreign exchange risk, and therefore had not adopted any hedging measures. The Group has subsidiaries engaging in business in Mainland China, with most of their transactions denominated in Renminbi. Since the Group generates Renminbi revenue and obtains Renminbi bank loans in Mainland China for settlement of liabilities in Renminbi, the Group has not been exposed to any significant foreign exchange risk.

Human Resources

As at 31 March 2010, the Group had a staff strength of 1,061 (2009: 987), of whom 70 (2009: 78) were based in Hong Kong. For financial year 2010, the total staff cost including directors' emoluments, share options benefit and mandatory provident funds, was approximately HK$71.5 million (2009: HK$65.4 million). Employees were remunerated on the basis of their performance and experience. Remuneration package, including salary and year-end discretionary bonus, was determined by reference to market conditions and individual performance.

Profile of Directors and Senior Management

Chairman

Mr. CHENG Chung Hing, aged 49, has been an Executive Director and Chairman of the Company since 1997 and has been re-designated as a Non-executive Director of the Company since 6 October 2009. He provides leadership of the Company, and, with the support of the other members of the Board is responsible for the formulation and development of the corporate policies and business strategies and the overall management of the Group. He 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, foundation honorary chairman of Gem and Jewellery Committee of China General Chamber of Commerce and honorary chairman of Zhejiang Pearl Trade Association. He has over 25 years of experience in pearl and jewellery businesses. Mr. Cheng is also chairman, president and director of China Metro-Rural Holdings Limited (formerly known as "Man Sang International (B.V.I.) Limited"), the holding company of the Company listed on NYSE Amex (formerly known as "American Stock Exchange"). He is also the co-chairman and executive director of China South City Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1668)). Mr. Cheng is the younger brother of Mr. Cheng Tai Po and Mr. Cheng Sai.

Executive Directors

Mr. CHENG Tai Po, aged 58, has been an Executive Director and Deputy Chairman of the Company since 1997. 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 vice chairman and director of China Metro-Rural Holdings Limited (formerly known as "Man Sang International (B.V.I.) Limited"), the holding company of the Company listed on NYSE Amex (formerly known as "American Stock Exchange"). He is also a non-executive director of China South City Holdings Limited (a company listed on the Stock Exchange (stock code: 1668)). He is the elder brother of Mr. Cheng Chung Hing and Mr. Cheng Sai.

Mr. LEE Kang Bor, Thomas, aged 56, served as an Independent Non-executive Director of the Company since June 2004. He has been re-designated as an Executive Director and appointed as Chief Executive Officer of the Company with effect from 1 September 2009. He has over 15 years' experience in business management, mergers and acquisitions, financial advisory, accounting, taxation, and corporate advisory in Hong Kong and China. He is currently an independent non-executive director of Sparkle Roll Group Limited (a company listed on the Stock Exchange (stock code: 970)) and is also an independent non-executive director and chairman of the audit and remuneration committee of CIG Yangtze Port PLC (a company listed on the Stock Exchange (stock code: 8233)). Mr. Lee possesses various professional qualifications. He graduated from the University of London with a bachelor's degree and a master's degree in laws, and was called to the Bar of the Lincoln's Inn in 1990. Mr. Lee is currently a member of the Society of Trust and Estate Practitioners, The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors. Mr. Lee served as President of the Taxation Institute of Hong Kong from 1999 to 2002, and is currently serving as deputy president of the Asia-Oceania Tax Consultants' Association and vice president of Hong Kong Professionals and Senior Executives Association.

Ms. YAN Sau Man, Amy, aged 47, has served as Executive Director of the Company since August 1997. She, together 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. Ms. Yan has over 20 years of experience in sales and marketing in pearl business and also years of experience in jewelry business. She is responsible for the formulation and implementation of the Group's overall sales and marketing strategies.

Independent Non-executive Directors

Mr. FUNG Yat Sang, aged 58, has served as an Independent Non-executive Director of the Company since September 2009. He has over 30 years of financial management experience and held senior management positions in various multinational corporations in Hong Kong, Australia, Thailand and China. Mr. Fung is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants in United Kingdom and a member of the Australian Society of Certified Practicing Accountants.

Mr. KIU Wai Ming, aged 61, has served as an Independent Non-executive Director of the Company since September 2004. He has been in the banking and finance field for over 30 years. He is currently an executive director and the chief executive officer of Walker Group Holdings Limited (a company listed on the Stock Exchange (stock code: 1386)). 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 46, has served as an Independent Non-executive Director of the Company since September 2004. Mr. Lau 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 46, is the Chief Financial Officer and Company Secretary of the Group. He 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 governance affairs of the Group. Mr. Pak is a fellow member of Hong Kong Institute of Certified Public Accountants and an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators of the United Kingdom. He has over 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 "CG Code") 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 (the "Stock Exchange") throughout the year ended 31 March 2010 except for deviation from the code provisions A.2.1 and A.4.1 of the CG Code, further explanations and rectification for which are set out below.

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 three Executive Directors, namely Mr. Cheng Tai Po (Deputy Chairman), Mr. Lee Kang Bor, Thomas (Chief Executive Officer) and Ms. Yan Sau Man, Amy, one Non-executive Director, namely Mr. Cheng Chung Hing (Chairman) and three Independent Non-executive Directors, namely Mr. Fung Yat Sang, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex, whose biographical details are set out in "Profile of Directors and Senior Management" on pages 22 to 24 of this Annual Report.

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 Directors 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	Four Board meetings were held during the reporting year. The Board met in June, August, December and February during the year. Attendance record of each Director at the Board meetings are set out in the section headed "Attendance Record" of this report.
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 and Board committee 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 in the Board and Board committee meetings.
A.1.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other meetings, reasonable notice should be given.	Yes	At least 14 days' prior notice had been given 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 advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are complied with. The Company Secretary attended all Board and Board committee meetings and answered questions raised by the Directors and Board committee 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 of the Board and Board committee meetings are kept by the Company Secretary and available for inspection at the Company's principal place of business. These minutes are distributed to and open for inspection by Directors/Board committee members upon request.
A.1.6 Minutes should record in sufficient detail the matters considered by the board and the decisions reached. Draft and final versions of minutes should be sent to all directors for their comments and records.	Yes	Minutes of the Board and Board committee meetings record in sufficient detail. All draft minutes of the Board and Board committee meetings were sent to all Directors or Board 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 Company'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.

— 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 of the issuer's business at the board level 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.	Please refer to: Actions by the Company	Mr. Cheng Chung Hing assumed the role of both the Chairman and the Chief Executive Officer of the Company during the reporting period up to 31 August 2009. For the purpose of best corporate governance practice, the Company separated the roles of Chairman and Chief Executive Officer with effect from 1 September 2009. Also, on 6 October 2009, Mr. Cheng Chung Hing was redesignated as Non-executive Director of the Company. As Non-executive Director and Chairman, Mr. Cheng Chung Hing now focuses on the business strategy and direction of the Company, and continues to lead the Board while the Chief Executive Officer has taken up the responsibilities of day-to-day management of the Company's businesses and operations. The separation of roles and division of responsibilities between the Chairman and the Chief Executive Officer are now clearly established.
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	All Directors are properly briefed and provided with adequate information on issues arising at Board meetings in a timely manner.

Compliance with Recommended Best Practice

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

— 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 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 ensure that changes to its composition can be managed without undue disruption. 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 to review 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

— The Board has three Independent Non-executive Directors, representing more than one-third of the Board.

— 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, considered 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 Non-executive directors should be appointed for a specific term, subject to re-election.	Please refer to: Actions by the Company	Although Independent Non-executive Directors are not appointed for a specific term, pursuant to the CG Code, all Directors (including Non-executive Directors) would retire at annual general meeting at least once every three years, and are eligible for re-election.
A.4.2 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.	Yes	Pursuant to 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 23 July 2009, Mr. Lee Kang Bor, Thomas and Ms. Yan Sau Man, Amy 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 subsequent 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 applicable legal requirements, rules and regulatory policies.	Yes	Mr. Fung Yat Sang was appointed as Independent Non-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 provided to Mr. Fung on the first occasion of his appointment. The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other applicable statutory requirements from time to time to facilitate the discharge of Directors' responsibilities.
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 operational performance, financial statements, internal audit reports and results announcements at regular Audit Committee meetings. The Remuneration Committee is chaired by an Independent Non-executive Director with the majority of members being Independent Non-executive Directors.

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 1 April 2009 to 31 March 2010 are set out in the section headed "Attendance Record" of this report. 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 Chairman or Deputy Chairman 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 throughout the period from 1 April 2009 to 31 March 2010.

Compliance with Recommended Best Practice

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

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

— The Independent Non-executive Directors had during the year contributed at the Board and the Board Committees their constructive and valuable advices 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 meeting.	Yes	Agenda and board papers were sent to all Directors at least 3 days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings.
A.6.2 Management has an obligation to supply the board and its committees with adequate, complete and reliable information in a timely manner to enable them 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 and related materials. Steps must be taken to respond as promptly and fully as possible where queries are raised by directors.	Yes	Properly signed Board minutes and Board papers are kept by the Company Secretary and are available for inspection by Directors at any time. 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 Remuneration Committee are Independent Non-executive Directors. The Remuneration Committee consists of five members namely Mr. Kiu Wai Ming (chairman of the Remuneration Committee), Mr. Fung Yat Sang, Mr. Lau Chi Wah, Alex, Mr. Cheng Chung Hing and Mr. Cheng Tai Po. The principal responsibilities of the Remuneration Committee include: — making recommendations on the Company's policy and structure for the remunerations of the Executive Directors and senior management; — determining the remuneration packages of all Executive Directors and senior management and ensuring remuneration packages offered are appropriate and in line with market practice; and — making recommendations to the Board of the remuneration of Non-executive Directors. Directors abstain from voting in determining their own remuneration packages.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
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	Three meetings of the Remuneration Committee were held during the year in which all remuneration committee members attended, attendance record of the meeting are set out in section headed "Attendance Record" of this report. During the year, the Remuneration Committee (i) reviewed the Company's remuneration policy and structure and the remuneration packages of the Executive Directors, Non-executive Director and senior management for the year ended 31 March 2010; (ii) made recommendation to the Board for approval of the grant of performance bonus to Executive Directors, Non-executive Director and senior management for the year ended 31 March 2009; (iii) reviewed the service agreements of Executive Directors; (iv) reviewed the remuneration packages of the newly appointed Directors; and (v) reviewed and discussed the policy of grant of options to Directors and employees. The Chairman is a member of the Remuneration Committee and has attended all the remuneration committee meetings during the year.
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 role and authorities of the Remuneration Committee and those specific duties as set out in the code provision B.1.3 in the CG Code, were clearly set out in the terms of reference of the Remuneration Committee which is 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, the Executive Directors 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 responsibility for preparing the accounts on a going concern basis, and there should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. The Corporate Governance Report should contain sufficient information to enable investors to understand the severity and significance of the matters at hand.	Yes	The Directors and auditor have acknowledged and stated their respective responsibilities in preparing financial statements and issuing auditor's report. Despite the removal of the requirement of a qualified accountant in the Listing Rules effective 1 January 2009, the Accounting and Finance Department of the Company continues to fall under the supervision of 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.	Yes	Please refer to the section below.
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	Please refer to the section below.

The Board acknowledges that it has overall responsibility for the system of internal controls covering financial control, operational control, compliance control and risk management and for reviewing its effectiveness.

The Group has set up "whistle blower system" procedures 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 31 March 2010, 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 31 March 2010 fully complied with the code provision on internal control as set out in the CG Code.

The Group also adopted the framework set by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") which comprises of five components, namely Control Environment; Risk Assessment; Control Activities; Information and Communication; and 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 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 is a former partner of the Group's existing audit 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 & C.3.4 The terms of reference of the audit committee should include at least the duties as set out in the code provision C.3.3 in the CG Code. 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 included the role and authorities delegated to it by the Board and those scopes of duties stated in the code provision C.3.3 in the CG Code and have been made available to all the Committee members and Board members. The auditor has 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 IA 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 July 2010 and concluded that the Company is in compliance with the Listing Rules.
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.	Yes	There was no disagreement on the selection and appointment of external auditor.
C.3.6 The audit committee should be provided with sufficient resources to discharge its duties.	Yes	Pursuant to its terms of reference, the audit committee is authorized to commit Company funds in order to obtain advice from outside legal counsel, accountants, investigatory services or other expert advice.

The Audit Committee consists of three Independent Non-executive Directors namely Mr. Fung Yat Sang (chairman of the Audit Committee), Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex.

The Audit Committee is responsible for ensuring the independence of the external auditor, reviewing the financial statements of the Company and reviewing and monitoring the Company's internal control, financial reporting policies and risk management systems.

The Audit Committee holds regular meetings at least four times a year and organizes additional committee meetings if and when necessary. There were four Audit Committee meetings held during the year ended 31 March 2010, attendance record of the meetings are set out in section headed "Attendance Record" of this report. The following is a summary of works performed by the Audit Committee during the year:

(i) reviewed the financial statements and reports for the year ended 31 March 2009, for the three months ended 30 June 2009, for the six months ended 30 September 2009 and for the nine months ended 31 December 2009;

(ii) reviewed quarterly internal audit reports prepared 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 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;

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

(vii) reviewed the independence of the external auditor and audit fee estimate for 2009/10; and

(viii) reviewed the continuing connected transaction between the Group and China South City Holdings Limited.

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; and — monitoring performance of management. The management shall be accountable to the Board. The duties of the management include: — implementing the operation strategy as formulated by the Board and managing day-to-day operations; — reviewing the business performance; — ensuring adequate fundings and cashflows for its operations; and — monitoring performance of the various divisions, departments and business units 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 should be 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 regularly reported to the Board their work, findings and recommendations in Board meetings.

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.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
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 or in the absence of the chairman of such committees, another member of the committee, to be available to answer questions at the annual 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 ("2009 AGM") held on 23 July 2009. Both chairmen of the Audit Committee and the Remuneration Committee also attended the AGM to make themselves available to answer questions raised at the 2009 AGM.
E.1.3 The Company should arrange for the notice to shareholders to be sent in the case of annual general meetings 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 gave over 20 clear business days notice to shareholders for the 2009 AGM held on 23 July 2009 and over 10 clear business days notice for the special general meetings held on 20 October 2009 and 28 April 2010.

E.2 Voting by Poll

Principle of the Code

The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
E.2.1 The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll at the commencement of the meeting and then answer any questions from shareholders regarding voting by way of a poll.	Yes	Detailed procedures were explained to the shareholders at the commencement of each general meeting during the year.

Nomination of Directors

The Company does not establish a nomination committee. The Board is responsible for the policy and procedure of selecting and appointing new directors. In evaluating whether an appointee is suitable to act as a director, the Board will review, among other things, his/her independence, experience, skills, integrity and time commitment.

Those directors appointed by the Board during the year shall hold office until the next annual general meeting of the Company and, being eligible for re-election at that meeting.

Auditor's Remuneration

The Company's independent external auditor is PricewaterhouseCoopers. The statement of the auditor about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report of this Annual Report.

During the year, the Group has engaged PricewaterhouseCoopers on the audit of the Group's 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 PricewaterhouseCoopers to the Group during the year ended 31 March 2010 was as follows:

Type of services	**Amount**
	HK$'000
Audit	1,100
Other services	—
Total:	1,100

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, the Chairman of Audit Committee and the Chairman of Remuneration Committee had attended the 2009 AGM of the Company held on 23 July 2009 to answer shareholders' questions.

Resolutions were proposed at the 2009 AGM on each substantial separate issue, including the election and re-election of individual director. Details of the proposed resolutions were set out in the circular to shareholders dispatched before each general meeting.

Details of general meetings held during the year are summarized as follows:

Meeting	Date	Venue	Resolutions
AGM	23 July 2009	the Garden Rooms, 2/F, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong	1. to receive the audited financial statements for the year ended 31 March 2009 2. to re-elect Directors and to authorize the Board to fix their remuneration 3. to re-appoint auditor 4. to grant general mandates to repurchase shares and to issue shares
SGM	20 October 2009	Same as above	1. to approve the change of auditor of the Company from Grant Thornton to Ernst & Young
SGM	28 April 2010	Same as above	1. to approve the change of auditor of the Company from Ernst & Young to PricewaterhouseCoopers

The public are welcomed to give their comments and make enquiries through the Company's website and by means of emails to the Company's Investor Relations Department (email address: ir-hk@man-sang.com). The management always provides prompt responses to any such enquiries.

Directors' Responsibility in Respect of Financial Statements

The Board is responsible for preparing the financial statements of the Group and the external auditor is responsible for reporting in the auditor's 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, and the Board ensures 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.

The reporting responsibilities of the Directors and external auditor are further set out in the Independent Auditor's Report in this Annual Report.

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

Management Meetings

The Chairman, 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 and/or the Chief Executive Officer, 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.

Attendance Record

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
Chairman			
Cheng Chung Hing *(Non-executive Director)*	4/4	N/A	3/3
Executive Director			
Cheng Tai Po *(Deputy Chairman)*	4/4	N/A	3/3
Lee Kang Bor, Thomas (Note 1)	4/4	2/2	3/3
Yan Sau Man, Amy	3/4	N/A	N/A
Wong Hung Yuen Yee, Flavia (Note 2)	1/1	N/A	N/A
Independent Non-executive Directors			
Fung Yat Sang (Note 3)	2/2	2/2	N/A
Kiu Wai Ming	4/4	4/4	3/3
Lau Chi Wah, Alex	4/4	4/4	3/3

Notes:

1. Mr. Lee Kang Bor, Thomas was redesignated as Executive Director and resigned as chairman of the Audit Committee and a member of the Remuneration Committee of the Company on 1 September 2009.

2. Ms. Wong Hung Yuen Yee, Flavia resigned as Executive Director on 26 June 2009.

3. Mr. Fung Yat Sang was appointed as Independent Non-executive Director and chairman of the Audit Committee and a member of the Remuneration Committee of the Company on 1 September 2009.

Directors' Report

The Directors present this Director's Report (the "Directors' Report") together with the audited financial statements of the Group for the year ended 31 March 2010.

Principal Activities

The Company acts as an investment holding company. The Group is principally engaged in two business segments. The pearls and jewelry segment which includes purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products; and the property development and investment segment which covers development, sales and leasing of properties.

The principal activities of the subsidiaries are set out in note 45 to the consolidated financial statements.

Major Customers and Suppliers

The percentages of purchases and sales for the year ended 31 March 2010 attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	28%
— five largest suppliers combined	50%
Sales	
— the largest customer	17%
— five largest customers combined	41%

None of the Directors, their associates or substantial 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 31 March 2010 are set out in the consolidated income statement on page 59 of this Annual Report. The Directors do not recommend the payment of a final dividend and propose that the profit for the year be retained.

Investment Properties

Details of movements in investment properties of the Group during the year are set out in note 18 to the consolidated 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 21 to the consolidated financial statements.

Bank Borrowings and Interest Capitalized

Bank borrowings repayable on demand or within one year are classified under current liabilities. Details of the bank borrowings are set out in note 32 to the consolidated financial statements. Interest and other borrowing costs capitalized by the Group during the year are set out in note 38 to the consolidated financial statements.

Distributable Reserves

The Company's net reserves available for distribution to shareholders as at 31 March 2010 amounted to HK$99,323,000 (2009: HK$131,579,000), which represents the aggregate of contributed surplus of HK$96,857,000 (2009: HK$133,605,000), share option reserve of HK$9,223,000 (2009: HK$5,668,000) and accumulated losses of HK$6,757,000 (2009: HK$7,694,000).

Reserves

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

Share Capital

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

Donations

Donations made by the Group during the year amounted to HK$123,000.

Five-year Financial Summary

A five-year financial summary of the Group is set out on page 130.

Directors

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

Non-executive Director
Mr. Cheng Chung Hing *(Chairman)* (re-designated as Non-executive Director on 6 October 2009)

Executive Directors
Mr. Cheng Tai Po *(Deputy Chairman)*
Mr. Lee Kang Bor, Thomas *(Chief Executive Officer)*
(re-designated as Executive Director on 1 September 2009)
Ms. Yan Sau Man, Amy
Ms. Wong Hong Flavia Yuen Yee (resigned on 26 June 2009)

Independent Non-executive Directors
Mr. Fung Yat Sang (appointed on 1 September 2009)
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 (the "Stock Exchange"), Mr. Fung Yat Sang, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex retire by rotation and, being eligible, offer themselves for re-election.

Directors' Service Agreement

Each of Mr. Cheng Chung Hing, Mr. Cheng Tai Po, Ms. Yan Sau Man, Amy and Mr. Lee Kang Bor, Thomas had entered into a service agreement with the Company on 31 August 2009 for a fixed term of three years from 1 September 2009 until terminated by not less than two to three months' notice in writing served by either party giving to the other. Mr. Cheng Chung Hing had entered into a supplemental agreement with the Company on 6 October 2009 to amend, modify and supplement the terms of the service agreement dated 31 August 2009.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries 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 22 to 24.

Directors' Interests in Contracts of Significance

Save as disclosed under the section headed "Continuing Connected Transactions" below and in note 43 to the consolidated financial statements, 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.

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 has exercised its discretion under 14A.06 of the Listing Rules.

Connected person	Date of agreement	Terms	Shared Premises	Consideration for the year ended 31 March 2010
China South City	1 July 2008	3 years commencing on 1 July 2008 to 16 March 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$1,899,000 (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 2 July 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 2010 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 and confirmed that for the fiscal year 2010 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 cap amounts for the financial year ended 31 March 2010 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 2 August 2002 (the "Share Option Scheme") are set out in note 35 to the consolidated 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 1 April 2009	Changes during the year Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 March 2010	Notes
Directors										
Mr. Cheng Chung Hing	2 May 2006	2 May 2006 to 1 May 2012	Nil	0.253	1,000,000	—	—	—	1,000,000	(1), (2)
Mr. Cheng Tai Po	2 May 2006	2 May 2006 to 1 May 2012	Nil	0.253	1,000,000	—	—	—	1,000,000	(1), (2)
Ms. Yan Sau Man, Amy	2 May 2006	2 May 2006 to 1 May 2012	Nil	0.253	10,000,000	—	—	—	10,000,000	(1), (2)
	1 September 2009	1 September 2009 to 31 August 2012	Note (3)	0.450	—	8,000,000	—	—	8,000,000	(1),(2)
Mr. Lee Kang Bor, Thomas	1 September 2009	1 September 2010 to 31 August 2012	Note (4)	0.450	—	10,000,000	—	—	10,000,000	(1),(2)
					12,000,000	18,000,000	—	—	30,000,000	
Other Employees										
	2 May 2006	2 May 2006 to 1 May 2012	Nil	0.253	15,000,000	—	—	—	15,000,000	(1), (2)
	18 September 2006	18 September 2006 to 17 September 2011	Nil	0.233	7,000,000	—	—	—	7,000,000	(1), (2)
	13 March 2007	1 January 2008 to 12 March 2012	Note (5)	0.500	5,000,000	—	—	—	5,000,000	(1), (2)
	27 August 2009	27 August 2009 to 26 August 2012	Note (6)	0.397	—	20,750,000	(200,000)	(500,000)	20,050,000	(1), (2)
					27,000,000	20,750,000	(200,000)	(500,000)	47,050,000	
					39,000,000	38,750,000	(200,000)	(500,000)	77,050,000	

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.

(3) 2,500,000 options were vested on the date of grant, vesting period of another 2,500,000 options is from 1 September 2009 to 31 August 2010 and that of the remaining 3,000,000 options is from 1 September 2009 to 31 August 2011.

(4) Vesting period of 5,000,000 options is from 1 September 2009 to 31 August 2010 and that of the remaining 5,000,000 options is from 1 September 2009 to 31 August 2011.

(5) Vesting period of these options was from 13 March 2007 to 31 December 2007.

(6) 14,750,000 options were vested on the date of grant, vesting period of 3,000,000 options is from 27 August 2009 to 26 August 2010 and that of the remaining 3,000,000 options is from 27 August 2009 to 26 August 2011.

Directors' Interests in Securities

As at 31 March 2010, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange, were set out below:

(a) Ordinary share of the Company

		Number of ordinary shares of HK$0.10 each held			
Name of Director	**Capacity**	**Direct interest**	**Deemed interest** (Note 1)	**Total interest** (Note 3)	**Percentage of the issued share capital of the Company**
Mr. Cheng Chung Hing	Beneficial owner and interest of a controlled corporation	187,687,273	494,406,000	682,093,273	55.68%
Mr. Cheng Tai Po	Beneficial owner	124,770,339 (Note 2)	—	124,770,339	10.19%

Notes:

1. These 494,406,000 shares of the Company were indirectly controlled by Kind United Holdings Limited ("Kind United"), a company incorporated in the British Virgin Islands, Kind United held its interest in the aforementioned shares of the Company, through its direct interest in China Metro-Rural Holdings Limited ("CNR"), a company incorporated in the British Virgin Islands and listed on the NYSE Amex, which directly holds such aforementioned shares of the Company. Kind United holds 58.23% of the ordinary shares of CNR as at 31 March 2010.

2. CNR holds 494,406,000 shares in the Company, representing a 40.36% interest in the Company, while Cafoong Limited ("Cafoong") directly and indirectly holds approximately 9.847% of the voting rights of CNR. Mr. Cheng Tai Po owns 40% of the issued share capital of Cafoong. Accordingly, of these 124,770,339 ordinary shares of the Company, 48,684,159 shares represent 9.847% x 494,406,000 shares.

3. Each of Mr. Cheng Chung Hing and Mr. Cheng Tai Po was interested in share options granted by the Company each in respect of 1,000,000 ordinary shares in the Company. Their interests in the aforesaid share options are disclosed in the section headed "Share Options" of this Directors' Report.

(b) Ordinary shares of an associated corporation — CNR

		Number of ordinary share of US$0.001 each held in CNR			
Name of director	**Capacity**	**Direct interest**	**Deemed interest** (Note 4)	**Total interest**	**Percentage of the ordinary shares of CNR**
Mr. Cheng Chung Hing	Interest of a controlled corporation	—	40,775,605	40,775,605	63.59%
Mr. Cheng Tai Po	Interest of a controlled corporation	—	3,437,501	3,437,501	5.36%

Note 4: These 40,775,605 ordinary shares were directly and indirectly owned by Cafoong and Kind United. Cafoong holds 5.36% of the ordinary shares and all the preferred shares of CNR as at 31 March 2010, which totally represent 9.847% of the voting rights of CNR. Messrs. Cheng Chung Hing and Cheng Tai Po owned 60% and 40% of the issued share capital of Cafoong, respectively. Kind United holds 58.23% of the ordinary shares of CNR as at 31 March 2010. Mr. Cheng Chung Hing indirectly holds 72.30% of the outstanding shares of Kind United.

All interests stated above represent long positions.

Save as disclosed above and under the section headed "Share Options", as at 31 March 2010, none of the Directors had any interest and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Arrangements to Purchase Shares or Debentures

Save as disclosed under the section headed "Share Options" 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' Interests in Securities

As at 31 March 2010, the interests and short positions of those persons, other than the Directors, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

		Number of shares held			
Name of shareholder	**Capacity**	**Direct interest**	**Deemed interest**	**Percentage of the ordinary shares of the Company**	**Notes**
CNR	Beneficial Owner	494,406,000	—	40.36%	
Kind United	Interests of a controlled corporation	—	494,406,000	40.36%	1
Kindfar International Limited ("Kindfar")	Interests of a controlled corporation	—	494,406,000	40.36%	2
Zagat International Limited ("Zagat")	Interests of a controlled corporation	—	494,406,000	40.36%	2
Leung Moon Lam ("Mr. Leung")	Interests of a controlled corporation	—	494,406,000	40.36%	3

Notes:

1. This represented the deemed interest in 494,406,000 shares in the Company held by CNR, in which Kind United directly holds 58.23% of the ordinary shares as at 31 March 2010 which represent 55.47% of the voting rights of CNR.

2. This represented the deemed interest in 494,406,000 shares in the Company indirectly held by Kind United, in which Kindfar and Zagat directly holds 72.30% and 27.70% of the outstanding shares respectively as at 31 March 2010.

3. This represented the deemed interest in 494,406,000 shares in the Company indirectly held by Zagat, in which Mr. Leung directly holds 61.15% of the outstanding shares as at 31 March 2010.

All interests stated above represent long positions.

Save as disclosed above, as at 31 March 2010, the Company has not been notified of any person (other than the Directors) 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 by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant the provisions of Divisions 2 and 3 of Part XV of the SFO.

Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules on the Stock Exchange for securities transaction by the Directors. Having made specific enquiries with all the Directors, the Company confirmed that all the Directors had complied with the required standard as set out in the Model Code throughout the year ended 31 March 2010.

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 Auditor, 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 31 March 2010.

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 Directors' Report under the Listing Rules.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, being the jurisdiction in which the Company is incorporated.

Auditor

The Company's financial statements for the year ended 31 March 2009 were audited by Grant Thornton. Ernst and Young were appointed as auditor of the Company on 20 October 2009 in succession to Grant Thornton, who resigned from the office with effect from 15 September 2009. PricewaterhouseCoopers ("**PwC**") was appointed as auditor of the Company on 28 April 2010 following the resignation of Ernst and Young on 24 March 2009. The Company's financial statements for the year ended 31 March 2010 were audited by PwC.

PwC shall retire and, being eligible, offer themselves for re-appointment in the forthcoming annual general meeting of the Company.

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 31 March 2010.

Corporate Governance

Details of the Company's corporate governance practices are set out in the Corporate Governance Report of this Annual Report.

On behalf of the Board

Cheng Chung Hing
Chairman

Hong Kong, 9 July 2010

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

To the shareholders of Man Sang International Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Man Sang International Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 59 to 129, which comprise the consolidated and company balance sheets as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 July 2010

Consolidated Income Statement

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	7	**339,379**	359,734
Cost of sales	11	**(276,602)**	(226,422)
Gross profit		**62,777**	133,312
Other income	9	**653**	645
Other gains/(losses) — net	10	**15,979**	(7,147)
Selling expenses	11	**(15,826)**	(21,043)
Administrative expenses	11	**(97,770)**	(119,514)
Decrease in fair values of investment properties and investment properties under construction		**(5,323)**	(181,638)
Operating loss		**(39,510)**	(195,385)
Finance income	38	**1,859**	9,729
Finance costs	38	**(1,620)**	—
Finance income — net		**239**	9,729
Share of profit/(loss) of an associate		**48**	(53)
Loss before income tax		**(39,223)**	(185,709)
Income tax credit	14	**14,314**	50,765
Loss for the year		**(24,909)**	(134,944)
Attributable to:			
Equity holders of the Company	15	**13,365**	(72,336)
Minority interests		**(38,274)**	(62,608)
		(24,909)	(134,944)
Earnings/(loss) per share attributable to equity holders of the Company	16		
Basic		**HK1.09 cents**	HK(5.91) cents
Diluted		**HK1.07 cents**	HK(5.91) cents

The notes on pages 68 to 129 are an integral part of these consolidated financial statements.

	Notes	2010 HK$'000	2009 HK$'000
Dividends — Interim	17	**36,748**	—

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Loss for the year	**(24,909)**	(134,944)
Other comprehensive income:		
Exchange difference on translation of foreign operations	**(125)**	17,016
Change in deferred income tax liabilities in relation to decrease in fair value of leasehold buildings arising from tax rate change	**—**	(133)
Increase/(decrease) in fair value of leasehold buildings, net of deferred income tax	**4,761**	(8,417)
Other comprehensive income for the year	**4,636**	8,466
Total comprehensive loss for the year, net of tax	**(20,273)**	(126,478)
Attributable to:		
Equity holders of the Company	**17,995**	(70,803)
Minority interests	**(38,268)**	(55,675)
	(20,273)	(126,478)

The notes on pages 68 to 129 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	18	**762,865**	845,384
Investment properties under construction	19	**133,679**	201,328
Property, plant and equipment	21	**43,762**	40,158
Prepaid lease payments	22	**35,461**	27,776
Investment in an associate	23	**100**	52
Deferred income tax assets	25	**1,289**	—
		977,156	1,114,698
Current assets			
Inventories	26	**51,646**	41,942
Properties under development	20	**69,431**	—
Completed properties held for sale	27	**202,073**	179,619
Trade and other receivables	28	**161,506**	226,553
Financial assets at fair value through profit or loss	29	**49,194**	18,619
Current income tax recoverable		**5,401**	3,479
Pledged bank deposits	37	**17,000**	17,000
Cash and cash equivalents	30	**501,541**	462,766
		1,057,792	949,978
Current liabilities			
Trade and other payables	31	**488,775**	439,456
Current income tax liabilities		**74,253**	68,507
Bank borrowings	32	**158,197**	90,400
Amount due to an associate	23	**1,530**	—
		722,755	598,363
Net current assets		**335,037**	351,615
Total assets less current liabilities		**1,312,193**	1,466,313
Non-current liabilities			
Deferred income tax liabilities	25	**78,703**	102,192
Bank borrowings	32	**22,600**	101,700
		101,303	203,892
Net assets		**1,210,890**	1,262,421

Consolidated Balance Sheet

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	34	**122,494**	122,474
Reserves		**977,971**	991,254
		1,100,465	1,113,728
Minority interests		**110,425**	148,693
Total equity		**1,210,890**	1,262,421

The notes on pages 68 to 129 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 59 to 129 were approved and authorised for issue by the Board of Directors on 9 July 2010 and were signed on its behalf by:

Cheng Chung Hing
Chairman &
Non-Executive Director

Cheng Tai Po
Deputy Chairman &
Executive Director

Balance Sheet

As at 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	24	**210,012**	206,664
Amounts due from subsidiaries	24	**149,167**	149,167
Deferred income tax assets	25	**—**	9
		359,179	355,840
Current assets			
Other receivables		**523**	258
Financial assets at fair value through profit or loss	29	**6,916**	10,559
Current income tax recoverable		**—**	115
Amounts due from subsidiaries	24	**171,067**	173,558
Cash and cash equivalents	30	**5,990**	40,367
		184,496	224,857
Current liabilities			
Other payables		**252**	573
Net current assets		**184,244**	224,284
Total assets less current liabilities		**543,423**	580,124
Non-current liabilities			
Amount due to immediate holding company	33	**—**	6,284
Net assets		**543,423**	573,840
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	34	**122,494**	122,474
Reserves	36	**420,929**	451,366
Total equity		**543,423**	573,840

The notes on pages 68 to 129 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 59 to 129 were approved and authorised for issue by the Board of Directors on 9 July 2010 and were signed on its behalf by:

Cheng Chung Hing	**Cheng Tai Po**
Chairman &	*Deputy Chairman &*
Non-Executive Director	*Executive Director*

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Loss before income tax		**(39,223)**	(185,709)
Adjustments for:			
Interest income		**(1,859)**	(9,729)
Interest expenses		**1,620**	—
Depreciation of property, plant and equipment		**7,702**	9,813
Amortisation of prepaid lease payments		**1,156**	743
Share of (profit)/loss of an associate		**(48)**	53
Share options benefit		**5,411**	—
Decrease in fair values of investment properties and investment properties under construction		**5,323**	181,638
(Gain)/loss on disposals of investment properties		**(10,799)**	2,337
Decrease/(increase) in fair values of leasehold buildings		**144**	(240)
Gain on disposals of property, plant and equipment		**(4)**	(1,537)
Fair value change in financial assets at fair value through profit or loss		**(6,166)**	8,812
Dividends received		**(653)**	(645)
Provision for impairment of trade and other receivables		**10,639**	27,478
(Reversal of)/provision for inventory obsolescence		**(2,370)**	5,708
Loss on impairment of properties under development		**591**	—
Operating cash flows before movements in working capital		**(28,536)**	38,722
(Increase)/decrease in inventories		**(7,334)**	2,063
Decrease in completed properties held for sale		**109,681**	2,736
Increase in properties under development		**(39,467)**	—
Decrease in trade and other receivables		**54,309**	4,817
Increase/(decrease) in trade and other payables		**49,319**	(30,853)
Increase in prepaid lease payments		**(8,841)**	—
Increase in amount due to an associate		**1,530**	—
Cash generated from operations		**130,661**	17,485
Interest paid		**(10,890)**	(16,726)
Hong Kong profits tax paid		**(2,676)**	(82)
Hong Kong profits tax refunded		**115**	273
Overseas income tax paid		**(6,768)**	(1,555)
Overseas income tax refunded		**1,223**	—
Net cash generated from/(used in) operating activities		**111,665**	(605)

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,250)**	(8,567)
Proceeds from disposals of property, plant and equipment		**5**	5,345
Proceeds from disposals of an investment property		**23,606**	13,963
Additions to investment properties under construction		**(21,382)**	(60,104)
Purchases of financial assets at fair value through profit or loss		**(130,538)**	(101,975)
Proceeds from disposals of financial assets at fair value through profit or loss		**106,129**	79,955
Dividend received		**653**	645
Increase in pledged bank deposits		**—**	(17,000)
Interest received		**1,859**	9,729
Net cash used in investing activities		**(24,918)**	(78,009)
Cash flows from financing activities			
Issue of new shares		**79**	—
Proceeds from bank borrowings		**58,757**	22,598
Repayments of bank borrowings		**(70,060)**	(33,898)
Dividend paid	17	**(36,748)**	(36,742)
Net cash used in financing activities		**(47,972)**	(48,042)
Net increase/(decrease) in cash and cash equivalents		**38,775**	(126,656)
Cash and cash equivalents at beginning of the year		**462,766**	587,602
Effect of foreign exchange rate changes		**—**	1,820
Cash and cash equivalents at end of the year	30	**501,541**	462,766

The notes on pages 68 to 129 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to equity holders of the Company								
The Group	**Share capital**	**Share premium**	**Share option reserve**	**Property revaluation reserve**	**Translation reserve**	**Retained profits (note a)**	**Sub-total**	**Minority interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2008	122,474	321,509	3,946	76,952	26,913	669,479	1,221,273	204,368	1,425,641
Loss for the year	—	—	—	—	—	(72,336)	(72,336)	(62,608)	(134,944)
Other comprehensive income/(loss):									
Exchange difference on translation of foreign operations	—	—	—	—	10,083	—	10,083	6,933	17,016
Change in deferred income tax liabilities in relation to property revaluation arising from tax rate change	—	—	—	(133)	—	—	(133)	—	(133)
Decrease in fair values of leasehold buildings, net of deferred income tax	—	—	—	(8,417)	—	—	(8,417)	—	(8,417)
Total other comprehensive (loss)/income	—	—	—	(8,550)	10,083	—	1,533	6,933	8,466
Total comprehensive (loss)/income	—	—	—	(8,550)	10,083	(72,336)	(70,803)	(55,675)	(126,478)
Release of property revaluation reserve upon depreciation of leasehold buildings	—	—	—	(1,163)	—	1,163	—	—	—
Transfer to retained profits upon disposals of completed properties held for sale, net of deferred income tax	—	—	—	(756)	—	756	—	—	—
Dividend paid	—	—	—	—	—	(36,742)	(36,742)	—	(36,742)
Balance at 31 March 2009	122,474	321,509	3,946	66,483	36,996	562,320	1,113,728	148,693	1,262,421

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

The Group	Share capital	Share premium	Share option reserve	Property revaluation reserve	Translation reserve	Retained profits (note a)	Sub-total	Minority interests	Total
	Attributable to equity holders of the Company								
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2009	122,474	321,509	3,946	66,483	36,996	562,320	1,113,728	148,693	1,262,421
Profit/(loss) for the year	—	—	—	—	—	13,365	13,365	(38,274)	(24,909)
Other comprehensive income/(loss):									
Exchange difference on translation of foreign operations	—	—	—	—	(131)	—	(131)	6	(125)
Increase in fair values of leasehold buildings, net of deferred income tax	—	—	—	4,761	—	—	4,761	—	4,761
Total other comprehensive income/(loss)	—	—	—	4,761	(131)	—	4,630	6	4,636
Total comprehensive income/(loss)	—	—	—	4,761	(131)	13,365	17,995	(38,268)	(20,273)
Release of property revaluation reserve upon depreciation of leasehold buildings	—	—	—	(39)	—	39	—	—	—
Transferred to retained profits upon disposals of the completed properties held for sale, net of deferred income tax	—	—	—	(6,034)	—	6,034	—	—	—
Issue of new shares upon exercise of share options	20	59	—	—	—	—	79	—	79
Employee share option benefits	—	—	5,411	—	—	—	5,411	—	5,411
Dividend paid	—	—	—	—	—	(36,748)	(36,748)	—	(36,748)
Transferred to share premium upon exercise of share options	—	38	(38)	—	—	—	—	—	—
Transferred to retained profits upon lapse of share options	—	—	(96)	—	—	96	—	—	—
Balance at 31 March 2010	**122,494**	**321,606**	**9,223**	**65,171**	**36,865**	**545,106**	**1,100,465**	**110,425**	**1,210,890**

Note:

(a) The Group's retained profits included an amount of HK$12,551,000 (2009: HK$11,818,000) reserved by the subsidiaries in the People's Republic of China ("PRC") in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. PRC company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

The notes on pages 68 to 129 are an integral part of these consolidated financial statements.

1. General Information

Man Sang International Limited (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 China Metro-Rural Holdings Limited (formerly known as Man Sang International (B.V.I.) Limited) and its ultimate holding company is Kindfar International Limited, a company incorporated in the British Virgin Islands. The shares of the Company's immediate holding company are listed on the NYSE Amex (formerly known as American Stock Exchange) under the ticker symbol of "CNR".

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") is principally engaged in (i) purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products, and (ii) development, sales and leasing of properties.

2. Summary of Significant Accounting Policies

(a) Statement of compliance

These consolidated 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 consolidated 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 1 April 2009. Details of major changes in accounting policies following the adoption of these HKFRSs are summarised in note 3 to the consolidated financial statements.

2. Summary of Significant Accounting Policies (Continued)

(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, investment properties under construction, leasehold 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.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year. Control means 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 disposals, as appropriate.

Where necessary, adjustments are made to the consolidated 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.

Investments in subsidiaries are 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 dividend received and receivable.

2. Summary of Significant Accounting Policies (Continued)

(e) 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 recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations.

(f) Business combination

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 subsidiaries, at the acquisition date, regardless of whether or not they were recorded in the consolidated financial statements of the subsidiaries prior to acquisition. On initial recognition, the assets and liabilities of the subsidiaries 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.

(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 carried 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 recognised in the income statement. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

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.

2. Summary of Significant Accounting Policies (Continued)

(g) Investment properties (Continued)

The fair values of investment properties are based on valuation by independent valuers who hold recognised professional qualification and have recent experience in the location and category of properties being valued. Fair value is determined 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 deemed cost for accounting purposes.

Prior to 1 April 2008, properties that are being constructed or developed for future use as investment property are classified as investment properties under construction and are stated at cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any impairment losses. Upon the completion of the construction or development, it is reclassified as investment property at fair value. Any difference between the fair value of the property at the date and its previous carrying amount is recognised in the income statement.

As a result of the 2008 Improvements to HKFRSs, HKAS 40 "Investment property', has been amended to include within its scope property that is being constructed or developed for future use as investment property. Properties that are being constructed or developed as investment property are carried at fair values. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The amendment to HKAS 40 has been applied prospectively for annual periods beginning after 1 January 2009 in accordance with the effective date and transitional provisions of the amendment.

2. Summary of Significant Accounting Policies (Continued)

(h) Property, plant and equipment

Property, plant and equipment, other than leasehold 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 recognised 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.

Leasehold 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 property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised 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 property revaluation reserve relating to a previous revaluation of that asset. On subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

If there is no market-based evidence of fair value because of the specialised nature of the item of leasehold buildings and the item is rarely sold, except as part of a continuing business, an entity may need to estimate fair value using an income or a depreciated replacement cost approach.

Leasehold 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 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 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%

2. Summary of Significant Accounting Policies (Continued)

(h) Property, plant and equipment (Continued)

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

(i) Properties under development

Properties under development (excluding investment properties under construction) are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises construction costs, amortisation of land use rights and borrowing costs capitalised, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(j) Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

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

(k) Prepaid lease payments

Prepaid lease payments include up-front payments to acquire land and payments for lease of properties held under operating leases. Prepaid lease payments are stated at cost and are amortised on a straight-line basis over the period of the lease.

2. Summary of Significant Accounting Policies (Continued)

(l) Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that 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 recognised directly in the income statement 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 recognised in accordance with the Group's policies in note 2(q) to these consolidated 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 amortised cost using the effective interest method, less any identified impairment losses.

2. Summary of Significant Accounting Policies (Continued)

(I) Financial instruments (Continued)

Impairment of financial assets

At each balance sheet date, financial assets other than those carried 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 reorganisation;

— 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.

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 financial assets carried at amortised cost, an impairment loss is recognised in the income statement 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 recognised as administrative expenses in the income statement. When a trade receivable is considered uncollectible, it is written off against the allowance account. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement of the period in which the reversal occurs.

2. Summary of Significant Accounting Policies (Continued)

(l) Financial instruments (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities and equity

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that 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 amortised cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised 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 amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

2. Summary of Significant Accounting Policies (Continued)

(l) Financial instruments (Continued)

Derecognition

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

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

(m) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(n) Inventories

Inventories are stated at the lower of cost and net realisable 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 realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses.

(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.

Pledged bank deposits are not included in cash and cash equivalents.

2. Summary of Significant Accounting Policies (Continued)

(p) Provisions, contingent liabilities and contingent assets

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

(q) Revenue recognition

Revenue from sales of properties

Revenue from sales of properties is recognised when the risks and rewards related to the properties are transferred to purchasers, which is when the construction of relevant properties has been completed, title to the properties has been delivered to the purchasers and collectability of related receivables is reasonably assured. Revenue is recognised only to the extent collectability of such receivable is reasonably assured.

Revenue from sales of properties with operating leaseback

As part of the Group's overall strategy to develop property projects with specific themes, in relation to sales of certain properties, immediately following sale of such properties, the Group leases back the properties from purchasers for periods ranging from 3 to 5 years. As lease back of the properties free of charge was arranged as part of the sale of these properties, the Group determined the fair value of lease payments it would ordinarily make to lease such properties from other independent owners based on factors such as expected occupancy rates, rental yields etc. and included it as part of the sales consideration received with a corresponding debit to prepaid operating lease payments. Since the fair value of lease payments the Group would ordinarily make to lease such properties was estimated to be insignificant, the Group did not separately recognize it as part of the sales consideration received with a corresponding debit to prepaid operating lease payments. Such transactions are accounted for as a sale and operating leaseback given that, as part of the sale transaction, the Group disposes of substantially all risks and rewards of owning the property. In concluding that substantially all risks and rewards of owning the property have been transferred, the Group considers the short period of the lease and the expected future rentals it could earn by letting out these properties, which are insignificant relative to the value of the property.

Operating leases rentals paid to purchasers are recorded as an expense on a straight line basis over the period of the lease.

To promote sales of certain properties the Group conducted a promotional sale of these properties during the year wherein it sold such properties at special rates to selected purchasers. Sales consideration for these properties included an explicitly agreed transaction price to be settled in cash plus a lease back of these properties to the Group free of charge. As lease back of the properties free of charge was arranged as part of the sale of these properties, the Group determined the fair value of lease payments it would ordinarily make to lease such properties from other independent owners based on factors such as expected occupancy rates, rental yields etc. and included it as part of the sales consideration received with a corresponding debit to prepaid operating lease payments. The prepaid operating lease payments will be amortized and recognised as operating leases expense on a straight line basis over the period of the lease.

2. Summary of Significant Accounting Policies (Continued)

(q) Revenue recognition (Continued)

Revenue from sales of goods

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

Revenue from leasing of investment properties

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

Others

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 recognised when the rights to receive payments have been established.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive board of directors that makes strategic decisions.

2. Summary of Significant Accounting Policies (Continued)

(s) Share-based payments

The Group operates a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted. In determining the fair value of the options granted:

- market performance conditions are taken into considerations;
- the impact of any service and non-market vesting conditions (for example, profitability, sales growth targets and remaining employee of the entity over a specified time period) is excluded; and
- excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any transaction costs that are directly attributable to the issue.

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

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2. Summary of Significant Accounting Policies (Continued)

(t) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

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

2. Summary of Significant Accounting Policies (Continued)

(u) Taxation

Income tax expense comprises current and deferred income tax.

Current income tax payable is calculated 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 not taxable or deductible. Current income tax payable is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets on tax losses 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 income tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred income tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred income 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 recognised as expense and revenue on the straight-line basis over the lease terms.

2. Summary of Significant Accounting Policies (Continued)

(w) Retirement benefits scheme

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(x) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the assets for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. Summary of Significant Accounting Policies (Continued)

(y) Government grants

Government grants are recognised 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 subsidise an expense incurred by the Group, they are deducted in reporting the related expenses. Grants relating to depreciable assets are presented as a deduction from the cost of the relevant assets.

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

(a) Adoption of new or revised HKFRS

In the current year, the Group has adopted the following new or revised HKFRS, which are relevant to its operations:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations	1 January 2009
HKFRS 7 (Amendment)	Financial Instruments: Disclosures	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HKFRSs (Amendments)	Improvements to HKFRSs*	1 January 2009

* The Group adopted the amendments of HKFRS published by the HKICPA in October 2008, which are relevant to its operations, except for the amendments to HKFRS 5 which will be applied from 1 January 2010.

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

(a) Adoption of new or revised HKFRS (Continued)

(1) HKAS 1 (Revised) prohibits the presentation of items of income and expenses, which are "non-owner changes in equity", in the statement of changes in equity. These items have to be presented separately from owner changes in equity and shown in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owners changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it also is in conformity with the revised standard.

(2) HKAS 23 (Revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediate recognition as expense of these borrowing costs is eliminated. The revised standard does not have a material impact on the Group's consolidated financial statements.

(3) HKFRS 2 (Amendment) clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions consist of service conditions (which require a counterparty to complete a specific period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The amendment does not have a material impact on the Group's consolidated financial statements.

(4) HKFRS 7 (Amendment) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

(5) HKFRS 8 requires a "management approach" under which segment information is presented on the same basis that is used for internal reporting purposes. The adoption of this has resulted in a number of changes and additional disclosures to the presentation of segmental information in the consolidated financial statements.

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

(b) New or revised standards, interpretations and amendments to published standards that are not yet effective

The following new or revised standards, interpretations and amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1 April 2009 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 (Amendments)	Classification of rights issues	1 February 2010
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement — eligible hedged items	1 July 2009
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	1 January 2010
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners	1 July 2009

In May 2009 and in May 2010, the HKICPA published Improvements to HKFRS which sets out amendments to a number of HKFRS which are effective for annual periods beginning on or after 1 July 2009, 1 January 2010, 1 July 2010 or 1 January 2011.

The Group has already commenced an assessment of the related impact of adopting the above new or revised standards, interpretations and amendments to standards, but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position. The Group plans to adopt these new or revised standards, interpretation and amendments to standards when they become effective.

4. Critical Accounting Estimates and Judgement

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

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

4. Critical Accounting Estimates and Judgement (Continued)

The following are the key assumptions concerning the future, and other key areas of judgement that may have a significant impact in determining the carrying amounts of assets and liabilities.

Estimated useful lives of property, plant and equipment

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

Fair value of leasehold buildings, investment properties and investment properties under construction

Leasehold buildings, investment properties and investment properties under construction are stated at fair value in accordance with the Group's accounting policies. The fair value of leasehold buildings, investment properties and investment properties under construction are determined by independent professional valuers, BMI Appraisals Limited and DTZ Debenham Tie Leung Limited, and the fair values of leasehold buildings, investment properties and investment properties under construction are set out in notes 21, 18 and 19 to the consolidated 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 judgement, reasonable consideration has been given to the underlying assumptions 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 realisable value of inventories

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

4. Critical Accounting Estimates and Judgement (Continued)

Recoverability of completed properties held for sale and properties under development

Management performs a regular review on the carrying amounts of completed properties held for sale and properties under development. Based on management's review, write-down of completed properties held for sale and properties under development will be made when the estimated net realisable value has declined below the carrying amount. In determining the net realisable value of completed properties held for sale and properties under development, management refers to the latest economic measures introduced by the local government, recent global and local economic developments, recent sales transactions of the Group and other similar properties in the surrounding areas, marketability of the Group's existing properties, market survey reports available from independent property valuers, internally available information and management's expectation on future sales.

Promotional sales of certain properties

As discussed in note 2(q), the Group conducted a promotional sale of certain properties during the year. Sales consideration for these properties included an explicitly agreed transaction price to be settled in cash plus a lease back of these properties to the Group free of charge. Of the explicitly agreed transaction price the Group received a down-payment of 24% in cash amounting to HK$18,459,000 upon transfer of title to the properties with the remainder HK$71,167,000 being receivable in future. As all the revenue recognition criteria had been met the Group recorded this as a revenue transaction. Having considered a number of factors such as the overall state of the property market, the prospects of the properties and profile of individual buyers, management determined that the collectability of the receivable was not reasonably assured at the date of sale. Accordingly, revenue was recorded only to the extent of cash received.

Employee benefits — share-based payments

The determination of the fair value of the share options granted requires estimates in determining, among others, the expected volatility of the share price, the expected dividend yield, the risk-free interest rate for the life of the option, and the number of options that are expected to become exercisable. Where the outcome of these estimates is different, it will impact the fair value of the share option and the amount of share option benefit charged to the consolidated income statement during the vesting periods of the relevant share options.

PRC land appreciation tax

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on relevant rules and regulations. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

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 bank borrowings and equity balances.

The capital structure of the Group consists of net bank borrowings (see note 32), and equity attributable to equity holders of the Group.

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 dividend paid to shareholders.

The management of the Group monitors its capital structure on the basis of the net bank borrowings. Net bank borrowings are set out as follows:

	2010	2009
	HK$'000	HK$'000
Bank borrowings	**180,797**	192,100
Pledged bank deposits	**(17,000)**	(17,000)
Cash and cash equivalents	**(501,541)**	(462,766)
Net bank borrowings	**(337,744)**	(287,666)

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, cash and cash equivalents, trade and other payables, bank borrowings, and amount due to an associate. 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.

6. Financial Risk Management Objectives and Policies (Continued)

(a) Market risk

(i) Currency risk

The Group's foreign currency assets, liabilities and transactions are principally denominated in Chinese Renminbi ("RMB") and United States Dollars ("US$"). These currencies are not the functional currencies of the group entities to which these balances relate. The Group is exposed to foreign currency risk arising from the movements in the exchange rates of these different currencies against the functional currencies of the group entities. The Group manages its foreign currency risks by closely monitoring the movement of the foreign currency rates. Most of the Group's business transactions are denominated in Hong Kong dollars ("HK$"), US$ and RMB.

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. However, the Group is exposed to fluctuation in exchange rates of RMB. At 31 March 2010, if HK$ had weakened/strengthened by 1% (2009: 2%) against RMB with all other variables held constant, post-tax loss for the year would have been HK$2,269,000 (2009: HK$4,637,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of RMB-denominated receivables, payables and bank borrowings.

(ii) Interest rate risk

The Group's exposure to interest rate risk relates primarily to variable-rate bank borrowings of HK$124,297,000 and fixed rate bank borrowings of HK$56,500,000. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. It is the Group's policy to keep the majority of borrowings at floating interest rate 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 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 deposits and borrowings.

At 31 March 2010, if interest rates had been 25 basis points higher/lower with all other variable held constant, interest payment on floating rate borrowing would have been approximately HK$311,000 (2009: HK$480,000) higher/lower. As such interest expenses would be substantially capitalised, management does not anticipate any significant impact on profit or loss of the Group resulting from changes in interest rate on floating rate borrowings. Post-tax loss for the year would have been approximately HK$101,000 (2009: Nil) higher/lower mainly as a result of a decrease/increase in the fair value of fixed rate borrowings.

6. Financial Risk Management Objectives and Policies (Continued)

(a) Market risk (Continued)

(iii) Price risk

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

The sensitivity analysis below is prepared to illustrate the Group's 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 unrealised gain on financial assets at fair value through profit or loss would have been increase/decrease and the loss for the year would have been decreased/increased by approximately HK$4,108,000 (2009: HK$1,555,000).

(b) Credit risk

Credit risk mainly arises from trade and other receivables, financial assets at fair value through profit or loss, pledged bank deposits and cash and cash equivalents.

In respect of pledged bank deposits and cash and cash equivalents, the Group will place its cash in banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

Most of the Group's customers do not have independent rating. Before accepting any new customer, where available at reasonable cost, the Group obtains credit report from commercial information provider to assess the potential customer's credit and defines credit limits by customer. Credit limits of 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.

For certain trade receivables in connection with sales of properties, the Group has the right to repossess the properties when the repayment of trade receivables of properties sales is in default. The arrangement has mitigated the credit risk for the customers which cannot be assessed through our past experience and other factors to prove their credit standing.

6. Financial Risk Management Objectives and Policies (Continued)

(c) Liquidity risk

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

The Group's financial liabilities have contractual maturities as follows:

	31 March 2010			31 March 2009		
	Current	**Non-current**		Current	Non-current	
	Within one year HK$'000	**One to two years HK$'000**	**Two to five years HK$'000**	Within one year HK$'000	One to two years HK$'000	Two to five years HK$'000
Trade and other payables	**262,694**	**—**	**—**	256,766	—	—
Bank borrowings and interest payments	**162,959**	**1,302**	**26,288**	100,325	106,071	—
Amount due to an associate	**1,530**	**—**	**—**	—	—	—
	427,183	**1,302**	**26,288**	357,091	106,071	—

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

(d) Fair value estimation

Effective from 1 April 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The financial assets at fair value through profit or loss are equity securities that are traded in an active market. Closing stock prices are readily available from active market and are used as being representative of fair value. The Group classifies these financial assets at fair value through profit or loss of HK$49,194,000 (2009: HK$18,619,000) as level 1 for the purpose of measuring fair value.

7. Revenue

Revenue represents (i) the amounts received and receivable from customers in respect of goods sold less returns and allowances; (ii) the proceeds from the sale of properties during the year; and (iii) the amounts received and receivable in respect of leasing of investment properties.

	2010 HK$'000	2009 HK$'000
Sales of pearls and jewelry	**261,539**	316,703
Sales of properties	**51,720**	16,435
Rental income	**26,120**	26,596
	339,379	359,734

8. Segment Information

The Group determines its operating segments based on the reports reviewed by the executive Directors that are used to make strategic decision.

The Group has two reportable operating segments. The Group's operating businesses are structured and managed separately according to the nature of the operations and the product perspectives. Each of the Group's reportable operating segment represents a strategic business unit that are subject to risks and returns that are different from the other reportable operating segment. Details of the reportable operating segment are as follows:

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. Segment Information (Continued)

Segment information about these businesses is presented below:

As at and for the year ended 31 March 2010

	Pearls and jewelry HK$'000	Property development and investment HK$'000	Total HK$'000
Profit and loss items			
Segment revenue	261,539	78,679	340,218
Inter-segment revenue	—	(839)	(839)
Revenue from external customers	261,539	77,840	339,379
Segment operating profit/(loss)	32,249	(70,217)	(37,968)
Finance income	1,023	792	1,815
Finance costs	(1,620)	—	(1,620)
Share of profit of an associate	—	48	48
Segment profit/(loss) before income tax	31,652	(69,377)	(37,725)
Income tax (expenses)/credit	(2,597)	17,737	15,140
Segment profit/(loss) for the year	29,055	(51,640)	(22,585)
Balance sheet items			
Total segment assets	533,734	1,412,913	1,946,647
Total segment assets include:			
Investment in an associate	—	100	100
Additions to non-current assets (other than deferred income tax assets)	5,128	21,504	26,632
Total segment liabilities	90,979	731,898	822,877
Other information:			
Capital expenditures	5,128	28,568	33,696
Depreciation	(6,955)	(747)	(7,702)
Amortisation	—	(1,156)	(1,156)
Decrease in fair values of investment properties and investment properties under construction	—	(5,323)	(5,323)
Gain on disposal of investment properties	—	10,799	10,799
Net decrease in fair value of leasehold buildings	—	(144)	(144)
Gain on disposals of property, plant and equipment	—	4	4
Loss on impairment of properties under development	—	(591)	(591)
Provision for impairment of trade and other receivables	(4,964)	(5,675)	(10,639)
Reversal of provision for inventory obsolescence	2,370	—	2,370

8. Segment Information (Continued)

As at and for the year ended 31 March 2009

	Pearls and jewelry HK$'000	Property development and investment HK$'000	Total HK$'000
Profit and loss items			
Segment revenue	316,703	43,881	360,584
Inter-segment revenue	—	(850)	(850)
Revenue from external customers	316,703	43,031	359,734
Segment operating profit/(loss)	16,517	(200,966)	(184,449)
Finance income	6,881	2,426	9,307
Share of loss of an associate	—	(53)	(53)
Segment profit/(loss) before income tax	23,398	(198,593)	(175,195)
Income tax credit	1,019	49,798	50,817
Segment profit/(loss) for the year	24,417	(148,795)	(124,378)
Balance sheet items			
Total segment assets	478,452	1,429,331	1,907,783
Total segment assets include:			
Investment in an associate	—	52	52
Additions to non-current assets (other than deferred income tax assets)	8,357	60,314	68,671
Total segment liabilities	34,582	767,607	802,189
Other information:			
Capital expenditures	8,509	76,888	85,397
Depreciation	(8,686)	(1,127)	(9,813)
Amortisation	—	(743)	(743)
Decrease in fair values of investment properties and investment properties under construction	—	(181,638)	(181,638)
Loss on disposals of investment properties	—	(2,337)	(2,337)
Increase in fair value of leasehold buildings	—	240	240
(Loss)/gain on disposals of property, plant and equipment	(1,055)	2,592	1,537
Provision for impairment of trade and other receivables	(6,733)	(20,745)	(27,478)
Provision for inventory obsolescence	(5,708)	—	(5,708)

8. Segment Information (Continued)

A reconciliation of the reportable segments' loss before income tax to the Group's loss before income tax is as follows:

	2010 HK$'000	2009 HK$'000
Total loss before income tax for reportable segments	(37,725)	(175,195)
Fair value change in financial assets at fair value through profit or loss	6,166	(8,812)
Dividend income	653	645
Share options granted to directors and employees	(5,411)	—
Corporate finance income	44	422
Corporate expenses	(2,950)	(2,769)
Loss before income tax of the Group	(39,223)	(185,709)

A reconciliation of the reportable segments' assets to the Group's total assets is as follows:

	2010 HK$'000	2009 HK$'000
Total for reportable segments	1,946,647	1,907,783
Unallocated:		
Corporate assets	39,107	138,274
Financial assets at fair value through profit or loss	49,194	18,619
Total assets of the Group	2,034,948	2,064,676

A reconciliation of the reportable segments' liabilities to the Group's total liabilities is as follows:

	2010 HK$'000	2009 HK$'000
Total for reportable segments	822,877	802,189
Unallocated:		
Corporate liabilities	354	66
Current income tax liabilities	827	—
Total liabilities of the Group	824,058	802,255

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong are HK$13,995,000 (2009: HK$15,966,000) and HK$325,384,000 (2009: HK$343,768,000) respectively.

8. Segment Information (Continued)

The Group's two operating segments operate in the main geographical areas and the revenue of which are disclosed as follows:

	2010	2009
	HK$'000	HK$'000
Hong Kong	**13,995**	15,966
North America	**47,082**	69,945
Europe	**156,922**	152,957
Mainland China (excluding Hong Kong)	**76,345**	43,030
Other Asian countries	**33,949**	52,194
Others	**11,086**	25,642
	339,379	359,734

The total of non-current assets excluding investment in an associate and deferred income tax assets located in Hong Kong and places other than Hong Kong are HK$125,966,000 (2009: HK$106,364,000) and HK$849,801,000 (2009: HK$1,008,282,000) respectively.

Revenues of approximately HK$58,010,000 (2009: HK$47,789,000) are derived from a single external customer. These revenue are attributable to the pearls and jewelry segment.

9. Other Income

	2010	2009
	HK$'000	HK$'000
Dividend income from financial assets at fair value through profit or loss	**653**	645

10. Other Gains/(Losses) — Net

	2010	2009
	HK$'000	HK$'000
Exchange losses	**(1,044)**	(465)
Fair value change in financial assets at fair value through profit or loss	**6,166**	(8,812)
Gain/(loss) on disposals of investment properties	**10,799**	(2,337)
Gain on disposals of property, plant and equipment	**4**	1,537
Government grants	**—**	1,590
Loss on impairment of properties under development	**(591)**	—
(Decrease)/increase in fair value of leasehold buildings	**(144)**	240
Others	**789**	1,100
	15,979	(7,147)

11. Expenses by Nature

	2010 HK$'000	2009 HK$'000
Costs of inventories and completed properties for sales	**242,034**	186,610
Employee benefit expenses (including directors' emoluments)	**71,482**	65,384
Auditor's remuneration		
— Provision for current year	**1,420**	1,260
— Under provision in prior year	**59**	79
Depreciation of property, plant and equipment	**7,702**	9,813
Amortisation of prepaid lease payments	**1,156**	743
Provision for impairment of trade and other receivables	**10,639**	27,478
(Reversal of)/provision for inventory obsolescence	**(2,370)**	5,708
Operating lease rental on rented premises	**17,462**	14,012
Others	**40,614**	55,892
Total cost of sales, selling and administrative expenses	**390,198**	366,979

12. Employee Benefit Expenses (Including Directors' Emoluments)

	2010 HK$'000	2009 HK$'000
Salaries, wages and other benefits	**63,843**	63,295
Pension costs-defined contribution plans and social security costs	**2,228**	2,089
Share options benefit	**5,411**	—
	71,482	65,384

13. Directors' and Senior Management's Emoluments

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

(a) Directors' emoluments for the year ended 31 March 2010

Name of director	Fees	Salaries and other allowances	Performance related incentive payment	Retirement benefit contributions	Other benefits (note a)	Share options benefits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Cheng Chung Hing (note b)	—	2,700	—	12	1,645	—	4,357
Mr. Cheng Tai Po	—	4,262	—	12	—	—	4,274
Ms. Yan Sau Man, Amy	—	1,800	1,200	12	—	1,083	4,095
Ms. Hung Yuen Yee, Flavia (note c)	—	710	—	5	—	—	715
Mr. Lee Kang Bor, Thomas (note d)	71	1,742	—	7	—	981	2,801
Mr. Fung Yat Sang (note e)	99	—	—	—	—	—	99
Mr. Lau Chi Wah, Alex	150	—	—	—	—	—	150
Mr. Kiu Wai Ming	170	—	—	—	—	—	170
	490	11,214	1,200	48	1,645	2,064	16,661

(b) Directors' emoluments for the year ended 31 March 2009

Name of director	Fees	Salaries and other allowances	Performance related incentive payment	Retirement benefit contributions	Other benefits (note a)	Share option benefits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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. Hung Yuen Yee, Flavia	—	1,290	—	8	—	—	1,298
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

Notes:

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

(b) Mr. Cheng Chung Hing was redesignated as a non-executive director on 6 October 2009.

(c) Ms. Hung Yuen Yee, Flavia was resigned from executive director on 26 June 2009.

(d) Mr. Lee Kang Bor, Thomas was redesignated as an executive director on 1 September 2009.

(e) Mr. Fung Yat Sang was appointed as an independent non-executive director on 1 September 2009.

13. Directors' and Senior Management's Emoluments (Continued)

(c) Five highest paid individuals

The five individuals with the highest emoluments in the Group for the year include four (2009: four) directors of the Company whose emoluments are set out in note 13(a) above. The emoluments of the remaining one (2009: one) individual is as follows:

	2010	2009
	HK$'000	HK$'000
Salaries, wages and other benefits	**2,150**	1,950
Pension costs-defined contribution plans and social security costs	**12**	12
Share options benefit	**638**	—
	2,800	1,962

During the year ended 31 March 2010, 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 (2009: Nil). In addition, during the year ended 31 March 2010, no director waived any emoluments (2009: Nil).

14. Income Tax Credit

	2010	2009
	HK$'000	HK$'000
Current income tax:		
Hong Kong profits tax	**1,894**	1,720
PRC enterprise income tax	**10,987**	(5,283)
PRC land appreciation tax	**—**	3,216
	12,881	(347)
Over provision in prior year:		
Hong Kong profits tax	**(426)**	—
PRC land appreciation tax	**(526)**	—
	(952)	—
Deferred income tax:		
Charge to current year	**10,006**	263
Credit to current year	**(36,691)**	(51,538)
Attributable to change in tax rate	**442**	857
	(26,243)	(50,418)
	(14,314)	(50,765)

14. Income Tax Credit (Continued)

Hong Kong profits tax has been provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year.

The PRC enterprise income tax in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax is levied and provided for in the consolidated financial statements 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.

The tax credit for the year can be reconciled to the loss before income tax as follows:

	2010	2009
	HK$'000	HK$'000
Loss before income tax	**(39,223)**	(185,709)
Tax calculated at domestic income tax rate of 16.5% (2009: 16.5%)	**(6,472)**	(30,642)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(7,597)**	(16,848)
Tax effect of:		
Land appreciation tax	**131**	(804)
Changes in tax rate	**442**	857
Expenses that are not deductible for tax purpose	**958**	891
Income not subject to tax	**(1,668)**	(3,826)
Utilisation of tax loss not previously recognised	**(564)**	(248)
Temporary difference not recognised	**365**	(5,363)
Recognition of temporary difference not previously recognised	**780**	713
Tax loss for which no deferred income tax asset was recognised	**91**	1,267
Over provision in prior year	**(426)**	—
Others	**172**	22
	(13,788)	(53,981)
Land appreciation tax	**(526)**	3,216
Income tax credit for the year	**(14,314)**	(50,765)

15. Profit/(Loss) Attributable to Equity Holders of The Company

The consolidated profit/(loss) attributable to equity holders of the Company includes a profit of HK$841,000 (2009: loss of HK$11,061,000) which has been dealt with in the financial statements of the Company.

16. Earnings/(Loss) Per Share

The calculation of the basic earnings/(loss) per share amount is based on the profit for the year attributable to equity holders of the Company of approximately HK$13,365,000 (2009: loss of HK$72,336,000) and the weighted average number of 1,224,825,138 (2009: 1,224,740,207) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount for the year is based on the profit for the year attributable to equity holders of the Company of approximately HK$13,365,000 and 1,243,306,380 ordinary shares, which represented the weighted average number of 1,224,825,138 ordinary shares in issue during the year and the weighted average number of 18,481,242 ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the year.

For the year ended 31 March 2009, there was no difference in the weighted average number of ordinary shares used for basic and diluted net loss per ordinary share as the effect of all potentially dilutive ordinary shares outstanding was anti-dilutive.

17. Dividends

	2010 **HK$'000**	2009 HK$'000
Interim dividend — HK3.00 cents (2009: Nil) per share	**36,748**	—

The dividend paid during the year ended 31 March 2010 was HK$36,748,000 (2009: HK$36,742,000). The Board does not recommend the payment of a final dividend for the year ended 31 March 2010 (2009: Nil).

18. Investment Properties

	The Group	
	2010	2009
	HK$'000	HK$'000
At fair value		
At beginning of the year	**845,384**	952,867
Exchange differences	**—**	19,666
Disposals during the year	**(12,807)**	(16,300)
Transferred from investment properties under construction	**69,442**	—
Transferred (to)/from completed properties held for sale	**(132,135)**	2,013
Transferred from leasehold buildings	**—**	68,776
Decrease in fair values	**(7,019)**	(181,638)
At end of the year	**762,865**	845,384

The Group's investment properties at 31 March 2010 were revalued by BMI Appraisals Limited and DTZ Debenham Tie Leung Limited, independent firms of professional property valuers, on market value basis. The valuations were arrived at by reference to comparable market transactions and where appropriate, on the basis of capitalisation of net income.

Majority of the Group's investment properties are intended to be rented out under operating leases.

The Group's interests in investment properties at their net book values are analysed as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Land and buildings situated in Hong Kong and held under leases of over 50 years	**3,000**	2,400
Land and buildings situated in Hong Kong and held under leases of between 10 and 50 years	**82,300**	62,640
Land and buildings situated in the PRC and held under leases of between 10 and 50 years	**677,565**	780,344
	762,865	845,384

19. Investment Properties under Construction

	The Group	
	2010	2009
	HK$'000	HK$'000
At fair value		
At beginning of the year	**201,328**	123,768
Exchange differences	**—**	730
Additions	**21,382**	60,104
Interest capitalised	**7,064**	16,726
Transferred to properties under development	**(28,349)**	—
Transferred to investment properties	**(69,442)**	—
Increase in fair values	**1,696**	—
At end of the year	**133,679**	201,328

The Group's investment properties under construction at 31 March 2010 were revalued by DTZ Debenham Tie Leung Limited, an independent firm of professional property valuer, on market value basis. The valuations were arrived at by reference to comparable market transactions and where appropriate, on the basis of capitalisation of net income.

All the Group's investment properties under construction are located in the PRC and were held under leases of between 10 and 50 years.

20. Properties under Development

Properties under development held as current assets represent properties which are developed with an intention for future sale.

	The Group	
	2010	2009
	HK$'000	HK$'000
At beginning of the year	**—**	—
Transferred from investment properties under construction	**28,349**	—
Additions	**39,467**	—
Interest capitalised	**2,206**	—
Provision for impairment losses	**(591)**	—
At end of the year	**69,431**	—

All the Group's properties under development are located in the PRC and were held under leases of between 10 and 50 years.

21. Property, Plant and Equipment

	Leasehold 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 1 April 2008	106,869	19,463	23,422	15,262	6,390	171,406
Exchange differences	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	(68,776)	—	—	—	—	(68,776)
Decrease in fair values	(12,372)	—	—	—	—	(12,372)
At 31 March 2009	24,988	14,469	25,713	8,268	6,911	80,349
Additions	—	1,935	2,753	562	—	5,250
Disposals	—	—	—	(23)	—	(23)
Increase in fair values	4,332	—	—	—	—	4,332
At 31 March 2010	**29,320**	**16,404**	**28,466**	**8,807**	**6,911**	**89,908**
Comprising:						
At cost — 31 March 2010	—	16,404	28,466	8,807	6,911	60,588
At valuation — 31 March 2010	29,320	—	—	—	—	29,320
	29,320	**16,404**	**28,466**	**8,807**	**6,911**	**89,908**
At cost — 31 March 2009	—	14,469	25,713	8,268	6,911	55,361
At valuation — 31 March 2009	24,988	—	—	—	—	24,988
	24,988	**14,469**	**25,713**	**8,268**	**6,911**	**80,349**
Accumulated depreciation						
At 1 April 2008	727	15,119	18,096	13,161	2,773	49,876
Exchange differences	8	102	166	41	28	345
Depreciation charge	2,928	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	(2,674)	—	—	—	—	(2,674)
At 31 March 2009	978	8,532	20,372	6,287	4,022	40,191
Depreciation charge	747	2,222	2,303	932	1,498	7,702
Eliminated on disposals	—	—	—	(22)	—	(22)
Eliminated on revaluation	(1,725)	—	—	—	—	(1,725)
At 31 March 2010	**—**	**10,754**	**22,675**	**7,197**	**5,520**	**46,146**
Net book value						
At 31 March 2010	**29,320**	**5,650**	**5,791**	**1,610**	**1,391**	**43,762**
At 31 March 2009	24,010	5,937	5,341	1,981	2,889	40,158

21. Property, Plant and Equipment (Continued)

The net book value of leasehold buildings shown above comprises:

	The Group	
	2010	2009
	HK$'000	HK$'000
Buildings situated in Hong Kong and held under leases of between 10 and 50 years	**3,520**	3,760
Buildings situated in the PRC and held under leases of between 10 and 50 years	**25,800**	20,250
	29,320	24,010

The Group's leasehold buildings at 31 March 2010 were revalued by BMI Appraisals Limited, which is an independent firm of professional property valuers, on market value basis, at HK$29,320,000 (2009: HK$24,010,000). The valuations were arrived at by reference to comparable market transactions. The increase in fair values arising from revaluation of the buildings amounted to HK$6,057,000 of which HK$6,201,000 has been credited to the property revaluation reserve and HK$144,000 has been charged to the income statement (2009: Decrease in fair values amounted to HK$9,698,000 of which HK$9,938,000 has been charged to the property revaluation reserve and HK$240,000 has been credited to the income statement).

If the leasehold buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and impairment losses of HK$24,821,000 (2009: HK$25,917,000).

22. Prepaid Lease Payments

	The Group	
	2010	2009
	HK$'000	HK$'000
Prepaid land lease payments (Note a)	**27,062**	27,776
Other prepaid lease payments (Note b)	**8,399**	—
	35,461	27,776

	The Group	
	2010	2009
	HK$'000	HK$'000
At beginning of the year	**27,776**	30,502
Additions	**8,841**	—
Amortisation	**(1,156)**	(743)
Disposals	**—**	(1,983)
At end of the year	**35,461**	27,776

	The Group	
	2010	2009
	HK$'000	HK$'000
The net book values of prepaid land lease payments are analysed as follows:		
Situated in Hong Kong held under leases of between 10 and 50 years	**26,831**	27,538
Situated in the PRC held under leases of between 10 and 50 years	**231**	238
	27,062	27,776

Notes:

(a) Prepaid land lease payments are amortised over the lease period of the related land. Amortisation expense has been charged to administrative expenses.

(b) Other prepaid lease payments are amortised over the lease period of 5 years. Amortisation expense has been charged to cost of sales.

23. Investment in an Associate

	The Group	
	2010	2009
	HK$'000	HK$'000
Non-current assets:		
Unlisted shares, at cost	**112**	112
Share of losses of an associate	**(12)**	(60)
Share of net assets	**100**	52
Current liabilities:		
Amount due to an associate (Note a)	**1,530**	—

Note:

(a) The amount due to an associate is interest-free, unsecured and has no fixed repayment terms.

Unaudited financial information of the associate for the years ended 31 March 2010 and 2009 was summarised as follows:

	2010	2009
	HK$'000	HK$'000
Assets	**2,205**	1,440
Liabilities	**(1,705)**	(1,178)
Equity	**500**	262

	2010	2009
	HK$'000	HK$'000
Revenue	**1,715**	86
Profit/(loss) for the year	**238**	(266)

At 31 March 2010 and 2009, the Group's investment in an associate is as follows:

Name of Company	Place of incorporation/ operations	Class of shares held	Proportion of ownership interest %	Principal activities
Zhuji Pan-Asia Property Management Company Limited (Only translated under 諸暨泛亞物業管理有限公司)	People's Republic of China	Registered capital of RMB500,000	20%	Property management

24. Investments in Subsidiaries

	The Company	
	2010	2009
	HK$'000	HK$'000
Non-current assets:		
Unlisted shares, at cost	**210,012**	206,664
Amounts due from subsidiaries	**149,167**	149,167
Current assets:		
Amounts due from subsidiaries	**171,067**	173,558

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 reorganisation in 1997.

The non-current amounts due from subsidiaries are unsecured, interest-free and not repayable within one year.

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

Details of the Company's subsidiaries at 31 March 2010 are set out in note 45 to the consolidated financial statements.

25. Deferred Income Tax

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

	Revaluation of properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Unrealised profit in inventories HK$'000	Unrecognised revenue (note a) HK$'000	Others HK$'000	Total HK$'000
The Group							
At 1 April 2008	149,592	126	(588)	(1,081)	—	2,583	150,632
Exchange difference	590	—	—	—	—	—	590
Net (credit)/charge to income statement for the year	(46,239)	(1,035)	281	(291)	—	(3,134)	(50,418)
Net charge to equity for the year	1,388	—	—	—	—	—	1,388
At 31 March 2009	105,331	(909)	(307)	(1,372)	—	(551)	102,192
Exchange difference	25	—	—	—	—	—	25
Net (credit)/charge to income statement for the year	(9,274)	(147)	88	(881)	(15,582)	(447)	(26,243)
Net charge to equity for the year	1,440	—	—	—	—	—	1,440
At 31 March 2010	**97,522**	**(1,056)**	**(219)**	**(2,253)**	**(15,582)**	**(998)**	**77,414**
The Company							
At 1 April 2008 and 31 March 2009	—	—	(9)	—	—	—	(9)
Net charge to income statement for the year	—	—	9	—	—	—	9
At 31 March 2010	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Note:

(a) As explained in note 2(q), during the year ended 31 March 2010, the Group transferred the title of certain properties to customers upon receipt of partial payments. Revenue was recognised up to the amounts received or of which such receivable is reasonably asserted. Enterprise income tax has been provided for based on the full contractual amount of the related sales transactions and in accordance with relevant rules and regulations even though a part of the sales considerations has not been recorded as revenue. As such, a deferred income tax asset was arisen from the provision for such enterprise income tax.

25. Deferred Income Tax (Continued)

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

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income tax liabilities	**78,703**	102,192	**—**	—
Deferred income tax assets	**(1,289)**	—	**—**	(9)
	77,414	102,192	**—**	(9)

At 31 March 2010, the Group has unused tax losses of HK$16,041,000 (2009: HK$17,122,000) available for offsetting against future profits, and a deferred income tax asset has been recognised in respect of HK$1,326,000 (2009: HK$1,860,000) of such losses. No deferred income tax asset has been recognised in respect to the total of HK$14,715,000 (2009: HK$15,262,000) due to unpredictability of future profit streams. The tax losses may be carried forward indefinitely for Hong Kong companies and five years for PRC companies.

At 31 March 2010, the Group also has deductible temporary differences of HK$13,191,000 (2009: HK$26,463,000) attributable to unrealised profit in inventories. A deferred income tax asset has been recognised in respect of HK$13,191,000 (2009: HK$7,426,000) of such deductible temporary differences. No deferred income tax asset had been recognised in respect of the remaining HK$19,037,000 in 2009 as it was not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At 31 March 2010, deferred income tax liabilities of HK$599,000 (2009: Nil) has not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries as the Company controls the dividend policies of these subsidiaries and it is not probable that these subsidiaries would distribute earnings in the foreseeable future. Unremitted earnings totalled HK$11,989,000 as at 31 March 2010 (2009: Nil).

26. Inventories

	The Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**16,706**	12,610
Work in progress	**18,313**	3,306
Finished goods	**16,627**	26,026
	51,646	41,942

During the year, the Group reversed provision for inventory obsolescence of HK$2,370,000. (2009: provision for inventory obsolescence of HK$5,708,000). Such reversal has been included in cost of sales in the consolidated income statement.

27. Completed Properties Held for Sale

All the Group's properties held for sale are located in the PRC and were held under leases of between 10 and 50 years.

28. Trade and Other Receivables

	2010	2009
	HK$'000	HK$'000
Trade receivables	**116,998**	142,845
Less: provision for impairment of trade receivables	**(54,709)**	(44,196)
Trade receivables — net	**62,289**	98,649
Receivables from sale of financial assets contracts (Note a)	**—**	39,608
Deposits, prepayments and other receivables	**99,217**	88,296
	161,506	226,553

Note:

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

28. Trade and Other Receivables (Continued)

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

At each balance sheet date, the recoverability of the Group's trade receivables due from individual customers are assessed based on the credit history of its customers, their financial conditions and current market conditions. Consequently, specific impairment provision is recognised.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Renminbi	89,721	102,846
United States dollars	62,591	68,064
Hong Kong dollars	9,048	55,511
Others	146	132
	161,506	226,553

The Group has provided fully for all receivables where recovery of the amounts is remote, unless the Group has determined that such balances are not recoverable, in which case the impairment loss is directly written off against the corresponding trade receivables. Based on past experience and the Group's assessment, the management believes that no impairment provision is necessary in respect of the remaining balances as there had not been a significant change in credit quality of such receivables and the balances are considered fully recoverable.

Movements in the provision for impairment of trade receivables are as follows:

	2010 HK$'000	2009 HK$'000
At beginning of the year	44,196	17,123
Exchange differences	—	(405)
Provision for impairment losses	10,639	27,478
Amounts written off as uncollectible	(126)	—
At end of the year	54,709	44,196

28. Trade and Other Receivables (Continued)

Included in trade and other receivables of the Group are trade receivables of HK$116,998,000 (2009: HK$142,845,000) and their ageing analysis is as follows:

	2010 HK$'000	2009 HK$'000
Not past due	**21,349**	20,449
1 to 60 days past due	**37,465**	32,393
61 to 120 days past due	**10,008**	9,564
More than 120 days past due	**48,176**	80,439
	116,998	142,845

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

As of 31 March 2010, trade receivables of HK$46,704,000 (2009: HK$78,200,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. 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 of these receivables and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	2010 HK$'000	2009 HK$'000
1 to 60 days past due	**34,590**	32,393
61 to 120 days past due	**2,700**	9,564
More than 120 days past due	**9,414**	36,243
	46,704	78,200

As of 31 March 2010, trade receivables of HK$54,709,000 (2009: HK$44,196,000) were impaired and provided for. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. The ageing analysis of these receivables is as follows:

	2010 HK$'000	2009 HK$'000
Not past due	**5,764**	—
1 to 60 days past due	**2,875**	—
61 to 120 days past due	**7,308**	—
More than 120 days past due	**38,762**	44,196
	54,709	44,196

29. Financial Assets at Fair Value through Profit or Loss

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trading securities, at market value:				
Listed equity investments in Hong Kong	**49,194**	18,619	**6,916**	10,559

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

30. Cash and Cash Equivalents

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**236,782**	191,485	**5,990**	40,367
Time deposits	**264,759**	271,281	**—**	—
	501,541	462,766	**5,990**	40,367

The carrying amounts of the cash and cash equivalents approximate their fair values. The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	The Group	
	2010	2009
	HK$'000	HK$'000
Renminbi	**84,342**	59,969
United States dollars	**208,318**	205,522
Hong Kong dollars	**206,208**	195,009
Others	**2,673**	2,266
	501,541	462,766

Time deposits are made for approximately range from 1 month to 2 months and carry interest at short-term deposit rates of below 1% (2009: below 1%).

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

31. Trade and Other Payables

	2010 HK$'000	2009 HK$'000
Trade payables	**111,164**	105,557
Loans from minority shareholders (Note a)	**114,700**	114,300
Advance receipts from customers	**92,967**	48,127
Other accruals and other payables	**169,944**	171,472
	488,775	439,456

Note:

(a) The loans from minority shareholders are interest-free, unsecured and has no fixed repayment terms.

The ageing analysis of trade payables is as follows:

	2010 HK$'000	2009 HK$'000
0 to 60 days past due	**103,923**	98,744
61 to 120 days past due	**5,748**	992
More than 120 days past due	**1,493**	5,821
	111,164	105,557

The carrying amounts of trade and other payables approximate their fair values. The carrying amounts of trade and other payables are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Renminbi	**341,789**	291,551
United States dollars	**14,191**	20,282
Hong Kong dollars	**132,778**	127,575
Others	**17**	48
	488,775	439,456

32. Bank Borrowings

	The Group	
	2010	2009
	HK$'000	HK$'000
Secured bank loans	**180,797**	192,100

The maturity of the above borrowings is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year	**158,197**	90,400
More than 1 year but not exceeding 2 years	**—**	101,700
More than 2 years but not exceeding 5 years	**22,600**	—
	180,797	192,100
Deduct: Amount due within 1 year shown under current liabilities	**(158,197)**	(90,400)
Amount due after 1 year	**22,600**	101,700

The carrying amount of bank borrowings approximates its fair value. All bank borrowings are denominated in Renminbi and carried at interest rates ranging from 4.8% to 6.1% per annum (2009: 5.4% to 8.1%).

33. Amount Due to Immediate Holding Company — The Company

The amount due to immediate holding company is unsecured, interest-free and is not repayable within one year. The directors consider the carrying amount of the balance due approximates its fair value at the balance sheet date.

34. Share Capital

	Number of shares		Share capital	
	2010	2009	**2010**	2009
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Shares of HK$0.10 each	**5,000,000**	5,000,000	**500,000**	500,000
Issued and fully paid:				
At beginning of the year	**1,224,740**	1,224,740	**122,474**	122,474
Issue of new shares upon exercise of share options	**200**	—	**20**	—
At end of the year	**1,224,940**	1,224,740	**122,494**	122,474

All the shares which were issued during the year ended 31 March 2010 rank pari passu with the then existing shares in all aspects.

35. Share Option Schemes

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

35. Share Option Schemes (Continued)

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 2 August 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 to as provided in the 2002 Scheme, options may be exercised at any time during the option period, which is to be notified by the board of directors to each grantee, commencing on the date of grant or such later date as the board of directors may decide and expiring on such date as the board of directors may determine, provided that such period is not to exceed ten years from the date of grant, and subject to any restrictions that may be imposed by the board of directors in its discretion.

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

35. Share Option Schemes (Continued)

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

			Number of share options					
Date of grant	Exercisable period	Exercise price	Outstanding at 31 March 2008 and 2009	Granted	Exercised	Lapsed	Outstanding at 31 March 2010	Note
Directors								
2 May 2006	2 May 2006 to 1 May 2012	0.253	12,000,000	—	—	—	12,000,000	(1)
1 September 2009	1 September 2009 to 31 August 2012	0.450	—	8,000,000	—	—	8,000,000	(1), (2)
1 September 2009	1 September 2009 to 31 August 2012	0.450	—	10,000,000	—	—	10,000,000	(1), (3)
			12,000,000	18,000,000	—	—	30,000,000	
Employees								
2 May 2006	2 May 2006 to 1 May 2012	0.253	15,000,000	—	—	—	15,000,000	(1)
18 September 2006	18 September 2006 to 17 September 2011	0.233	7,000,000	—	—	—	7,000,000	(1)
13 March 2007	1 January 2008 to 12 March 2012	0.500	5,000,000	—	—	—	5,000,000	(1)
27 August 2009	27 August 2009 to 26 August 2012	0.397	—	20,750,000	(200,000)	(500,000)	20,050,000	(1), (4)
			27,000,000	20,750,000	(200,000)	(500,000)	47,050,000	
			39,000,000	38,750,000	(200,000)	(500,000)	77,050,000	
Weighted average exercise price			HK$0.281				HK$0.351	
Options vested			39,000,000				55,550,000	
Weighted average exercise price of options vested			HK$0.281				HK$0.318	
Weighted average remaining contractual life			2.96 years				2.18 years	

During the year, 38,750,000 (2009: Nil) share options were granted to directors of the Company and certain employees of the Group under the share option scheme. 200,000 (2009: Nil) options were exercised and 500,000 options were lapsed (2009: Nil) during the year. The weighted average closing price of the Company's shares immediately on the date which share options were exercised during the year was HK$0.49 (2009: Nil).

35. Share Option Schemes (Continued)

Notes:

(1) The Company recorded the fair value of these share options as employee benefit expenses 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 will be deducted from the balance of the share options.

(2) 2,500,000 options were vested on the date of grant, the other 2,500,000 options can be exercised from 1 September 2010 and the remaining 3,000,000 options can be exercised from 1 September 2011.

(3) 5,000,000 options can be exercised from 1 September 2010 and the remaining 5,000,000 options can be exercised from 1 September 2011.

(4) 14,750,000 options were vested on the date of grant, 3,000,000 options can be exercised from 27 August 2010 and the remaining 3,000,000 options can be exercised from 27 August 2011.

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	2 May 2006	18 September 2006	13 March 2007	27 August 2009	1 September 2009
Number of share options granted during the year	48,000,000	20,000,000	5,000,000	20,750,000	18,000,000
Weighted average share price on date of grant	HK$0.250	HK$0.233	HK$0.500	HK$0.390	HK$0.450
Exercise price	HK$0.253	HK$0.233	HK$0.500	HK$0.397	HK$0.450
Expected volatility	21.83%	35.25%	60.91%	90.63%	90.63%
Average expected life	5 years	5 years	5 years	2.5 years	2.5 years
Risk-free interest rate	4.660%	4.025%	4.030%	0.990%	0.990%
Expected dividend yield	0.00%	0.00%	0.00%	1.810%	1.810%

During the year, a total expense of HK$5,411,000 (2009: Nil) was recognised in the income statement in relation to share options granted by the Company.

36. Reserves — The Company

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
The Company					
At 1 April 2008	319,787	170,347	5,668	3,367	499,169
Loss for the year	—	—	—	(11,061)	(11,061)
Dividends paid	—	(36,742)	—	—	(36,742)
At 31 March 2009	319,787	133,605	5,668	(7,694)	451,366
Issue of new shares upon exercise of share options	59	—	—	—	59
Employee share option benefits	—	—	5,411	—	5,411
Profit for the year	—	—	—	841	841
Dividends paid	—	(36,748)	—	—	(36,748)
Transferred to share premium upon exercise of share options	1,760	—	(1,760)	—	—
Transferred to retained profits upon lapse of share options	—	—	(96)	96	—
At 31 March 2010	**321,606**	**96,857**	**9,223**	**(6,757)**	**420,929**

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 reorganisation in 1997.

Under the Companies Act 1981 of Bermuda, 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 realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

37. Pledge of Assets

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Pledged bank deposits	**17,000**	17,000
Investment properties	**268,771**	464,920
Completed properties held for sale	**16,303**	64,472
Leasehold buildings	**26,031**	—
Properties under development	**11,856**	—
Investment properties under construction	**66,323**	70,160
	406,284	616,552

During the year, the pledged assets were partially released as a result of the repayment of loans.

The Company did not have any pledge of assets as at 31 March 2010 (2009: Nil).

38. Finance Income and Costs

	2010	2009
	HK$'000	HK$'000
Finance income		
Interest income on short-term bank deposits	**1,859**	9,729
Finance costs		
Interest expenses on bank borrowings	**(10,890)**	(16,726)
Amount capitalised on qualifying assets	**9,270**	16,726
	(1,620)	—
Finance income — net	**239**	9,729

39. Capital Commitment

	The Group	
	2010	2009
	HK$'000	HK$'000
Capital expenditure in relation to construction of property and land acquisition contracted for but not provided in the consolidated financial statements	**32,110**	71,564

The Company did not have any significant capital commitments as at 31 March 2010 (2009: Nil).

40. Operating Lease Arrangements

The Group as lessee

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**8,517**	14,365
In the second to fifth year inclusive	**1,887**	13,426
	10,404	27,791

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

The Group as lessor

Property rental income earned during the year was HK$26,120,000 (2009: HK$26,596,000). 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	
	2010	2009
	HK$'000	HK$'000
Within one year	**24,811**	20,178
In the second to fifth year inclusive	**9,472**	25,263
	34,283	45,441

41. Contingent Liabilities

During the year ended 31 March 2010, 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 utilised by subsidiaries during the year ended 31 March 2010 (2009: Nil).

The Group entered into a mortgage collaboration agreement with a bank in Mainland China under which the Group agreed to indemnify the bank for any failure by purchasers of the Group's properties in CP&J Project to repay the borrowings or interest to the bank for the period before and up to the bank registering the certificates of real estate ownership as collateral for the borrowings. As at 31 March 2010, the Group has maximum exposure on the guarantees of HK$51,000,000 (2009: HK$52,200,000). The directors are of the view that the fair value of such guarantee is not significant.

Save as disclosed above, the Group had no other significant contingent liabilities as at 31 March 2010 (2009: Nil).

42. Litigation

In relation to a 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 2 December 2003 and a former general manager on 22 December 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 22 December 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 31 March 2009. Although it is not possible to predict with certainty at the moment the outcome of these unresolved legal actions or pending claim or the amount of possible loss or recovery, the directors do not believe that the resolution of these matters will have a material adverse effect on the Group's financial position or operating results.

43. Related Party Transactions

(a) Key management compensation

	2010 **HK$'000**	2009 HK$'000
Salaries, wages and other benefits	**16,699**	14,977
Pension costs-defined contribution plans and social security costs	**60**	56
Share options benefit	**2,702**	—
	19,461	15,033

(b) The Group entered into the following related party transactions, which were carried out in the ordinary course of the Group's business.

Related party relationship	**Nature of transaction**	**2010** **HK$'000**	2009 HK$'000
An entity which is significantly influenced by a key management personnel of the Company	Reimbursement of rental charges paid on behalf	**1,899**	1,412

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

44. Retirement Benefits Schemes

The Group participates in a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,000 and thereafter contributions are voluntary.

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 10% to 15% 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 the consolidated income statement of HK$2,228,000 (2009: HK$2,089,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

45. Particulars of Subsidiaries

Particulars of the Company's subsidiaries at 31 March 2010 are as follows:

Name of subsidiary	Place of incorporation/ establishment or registration/ operations	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company (note 1)	Principal activities
Arcadia Jewellery Limited	Hong Kong	Ordinary shares HK$500,000	100%	Trading and manufacturing of jewelry products
Asean Gold Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$10,000	100%	Inactive
China Pearls and Jewellery City Holdings Limited	Hong Kong	Ordinary shares HK$10,000	55%	Investment holding
China Pearls and Jewellery International City Co. Ltd. (note 3)	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%	Inactive
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.	British Virgin Islands	Ordinary shares US$1	100%	Inactive

45. Particulars of Subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment or registration/ operations	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company (note 1)	Principal activities
Man Sang Development Company Limited	Hong Kong	Ordinary shares HK$5,000	100%	Investment holding
Man Sang Enterprise Ltd.	British Virgin Islands/ Hong Kong	Ordinary shares US$100	100%	Investment holding
Man Sang Innovations Limited	Hong Kong	Ordinary shares HK$5,000	100%	Investment holding
Man Sang Investment Development Limited (Previously name: Man Sang China Investment Limited)	Hong Kong	Ordinary shares HK$1	100%	Inactive
Man Sang Jewellery Company Limited	Hong Kong	Ordinary shares HK$500 Non-voting deferred shares HK$500 (note 2)	100%	Trading of pearl products and investment holding
Market Leader Technology Limited	British Virgin Islands/ Hong Kong	Ordinary shares US$100	100%	Investment holding and trading of equity securities
M. S. Collections Limited	Hong Kong	Ordinary shares HK$500 Non-voting deferred shares HK$500 (note 2)	100%	Investment holding
New Tongluowan Holdings Limited (Previously known as Northeast Infrastructure Holdings Limited)	Hong Kong	Ordinary shares HK$1	100%	Inactive

45. Particulars of Subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment or registration/ operations	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company (note 1)	Principal activities
Peking Pearls Company Limited	Hong Kong	Ordinary shares HK$2	100%	Investment holding
Smartest Man Holdings Limited	British Virgin Islands	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 (note 3)	PRC	Registered Capital US$10,000,000	55%	Inactive

Notes:

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.

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.

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

46. Comparative Information

Certain comparative figures have been re-classified within the consolidated income statement to conform to current year's presentation. Such reclassification has no impact on the Group's loss for the year.

Five-year Financial Summary

Results

	For the year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**339,379**	359,734	640,493	402,504	378,297
(Loss)/ Profit before income tax	**(39,223)**	(185,709)	590,550	67,165	46,816
Income tax credit/(charge)	**14,314**	50,765	(186,921)	(7,214)	(3,836)
(Loss)/ Profit for the year	**(24,909)**	(134,944)	403,629	59,951	42,980
Proposed final dividends	**—**	—	36,742	36,112	—
(Loss)/ Profit attributable to:					
Equity holders of the Company	**13,365**	(72,336)	232,375	59,951	42,980
Minority interests	**(38,274)**	(62,608)	171,254	—	—
	(24,909)	(134,944)	403,629	59,951	42,980

Assets and Liabilities

	At 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,034,948**	2,064,676	2,312,099	749,676	654,655
Total liabilities	**(824,058)**	(802,255)	(886,458)	(70,632)	(46,230)
Minority interests	**(110,425)**	(148,693)	(204,368)	—	—
Equity attributable to equity holders of the Company	**1,100,465**	1,113,728	1,221,273	679,044	608,425

Major Properties

Below is a schedule of investment properties held by the Group in Hong Kong and the PRC as at 31 March 2010:

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 88.91 square metres and the saleable area is approximately 70.79 square metres. The property is held under Government Leases for a term of 999 years commencing from September 27, 1854.	Office The property is let for a term of two years.	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 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 let for a term of two years.	100%

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 55,914.31 square metres. The property has been granted for a land use term of 50 years from 1 September 1991 to 31 August 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 1,381.98 square metres. The property has been granted for a land use term of 40 years from 22 August 2006 to 21 August 2046.	Commercial shops The property is vacant and available for lease.	100%
1,458 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 53,817.90 square metres. The property has been granted for a land use term of 40 years from 22 August 2006 to 21 August 2046.	Commercial booths and shops The property is let to various tenants for terms of generally 3 years.	55%
4 blocks of factory buildings 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 42,033.64 square metres. The property has been granted for a land use term of 50 years from 29 December 2006 to 30 December 2056.	Factories The property is vacant and available for lease.	55%

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

Group II — Investment properties held by the Group in PRC