Annual report 2011

Man Sang International Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 938

Contents

Overview

Financial Section

Corporate Information

BOARD OF DIRECTORS

Non-executive Directors
Mr. Cheng Chung Hing *(Chairman)*
Mr. Lee Kang Bor, Thomas
(re-designated as a Non-executive Director on 1 April 2011)

Executive Directors
Mr. Cheng Tai Po *(Deputy Chairman)*
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: 938)

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 jewellery products (the "Pearls and Jewellery Segment"). The other is in property development and investment (the "Property Development and Investment Segment").

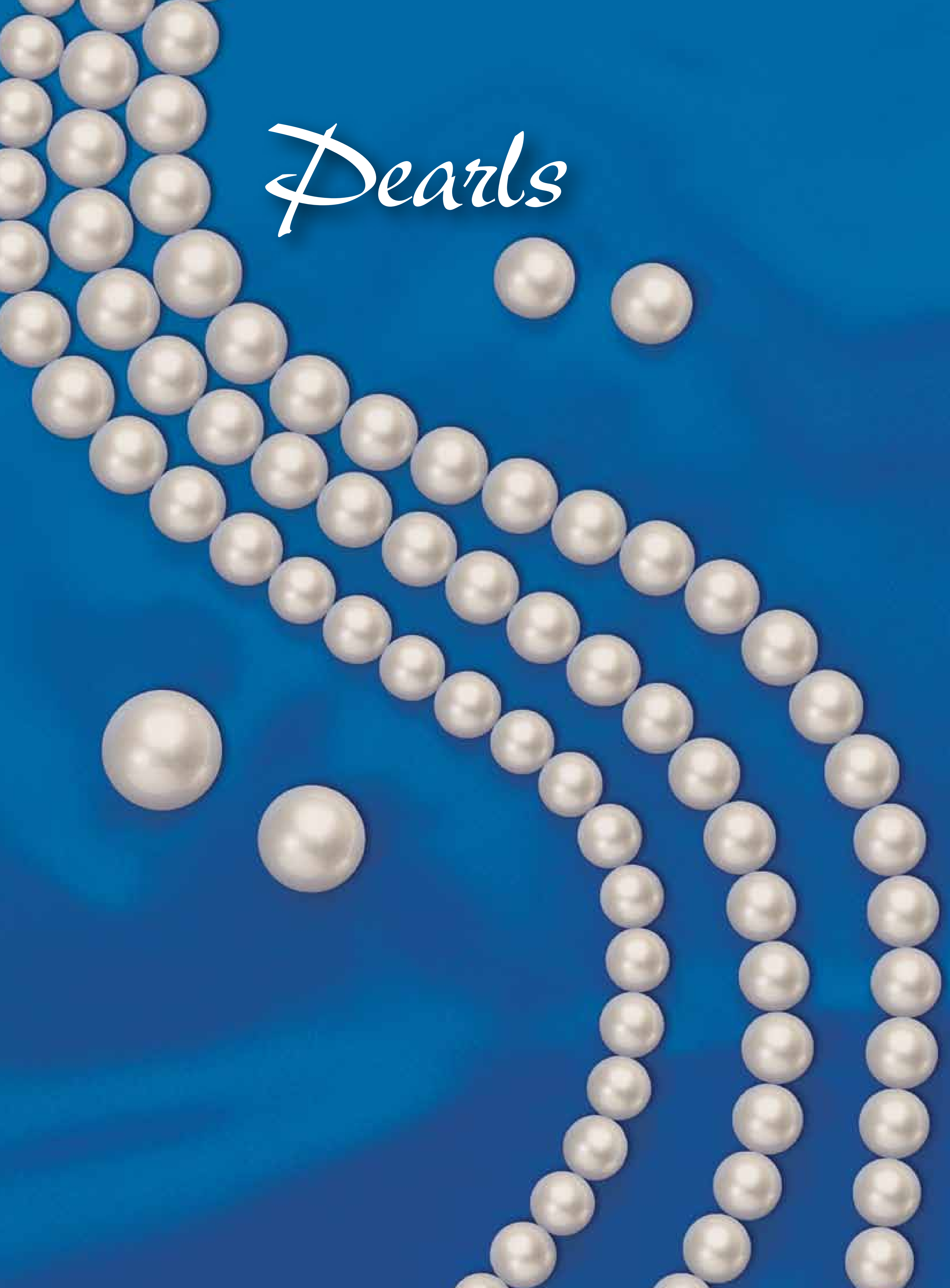
The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited since 1997 under the stock code of 938. China Metro-Rural Holdings Limited (formerly known as Man Sang International (B.V.I.) Limited) was a holding company of the Company, which was incorporated in 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 Company has not been a member of the group of China Metro-Rural Holdings Limited since the completion of the Company's shares distributed by CNR by way of a one time special dividend to the relevant shareholders of CNR on 23 August 2010.

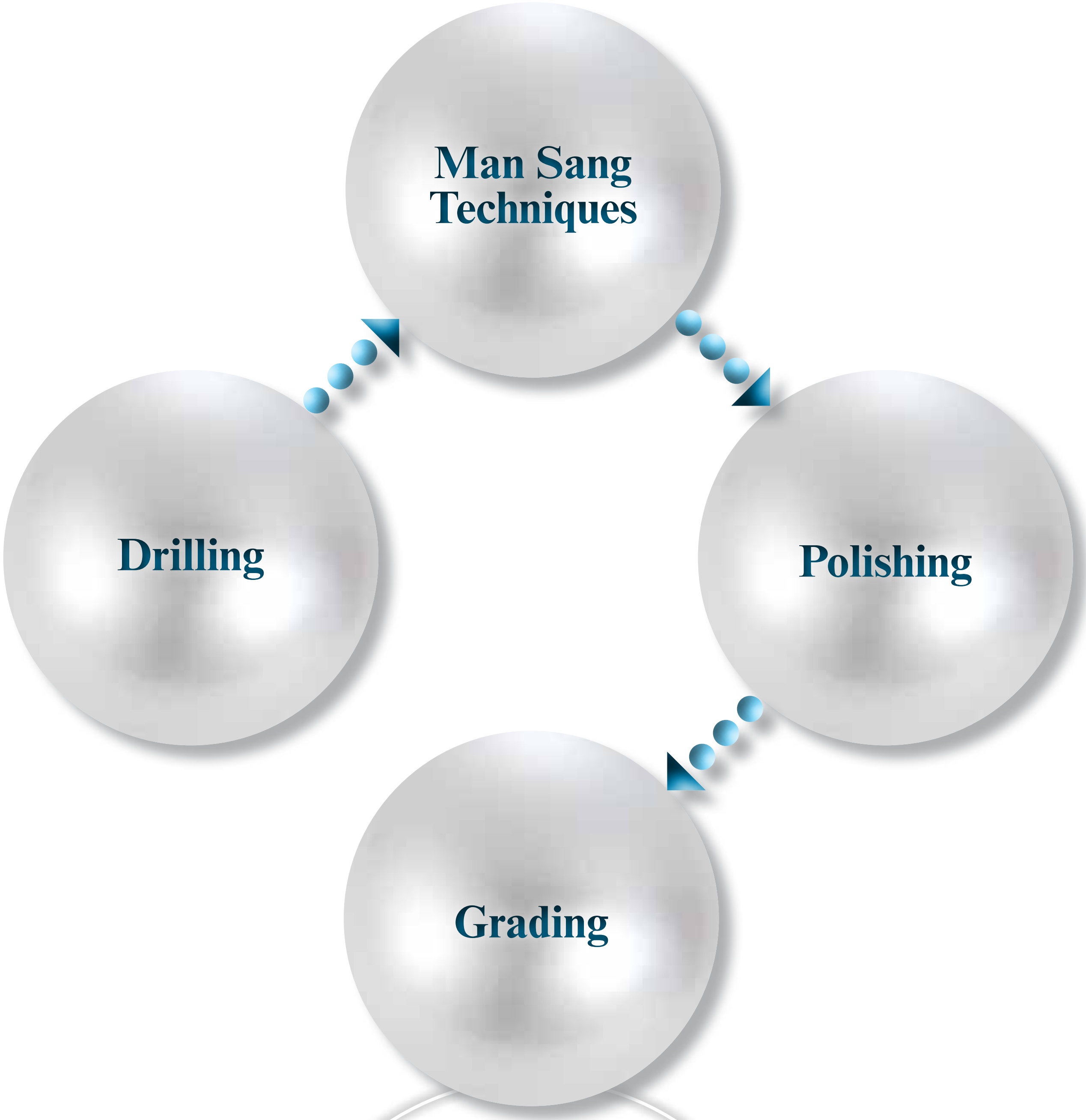
The Group is one of the world's largest merchants, purchasers and processors of pearls. Processing, manufacturing and assembling of pearls and jewellery products are conducted at the Group's self-owned facilities in the Man Sang Industrial City in Shenzhen, the People Republic of China (the "PRC"). There 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 jewellery companies in the PRC to develop a large-scale international pearl and jewellery trading platform, the China Pearls and Jewellery City (the "CP&J City") in Zhuji of Zhejiang, the PRC. CP&J City is designed to be the world's largest pearl and jewellery trading platform providing facilities for processing, manufacturing, research and development, and trading of pearl and jewellery products, as well as related supporting services including logistics, electronic commerce, exhibition and convention, accommodation, catering and entertainment.

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 jewellery manufacturers, wholesale jewellery distributors and mass jewellery merchandisers throughout the world.

Financial Highlights

	2011 HK$'000	2010 HK$'000 (restated)	change HK$'000	 %
Key Financial Performance				
As at and for the year ended 31 March				
Revenue	401,854	339,379	62,475	18%
Gross profit	139,406	62,777	76,629	122%
Profit/(Loss) before income tax	92,426	(39,557)	131,983	N/A
Profit/(Loss) for the year	63,908	(25,188)	89,096	N/A
Profit attributable to the equity holders of the Company	54,753	13,086	41,667	318%
Earnings per share				
— Basic	HK4.46 cents	HK1.07 cents	HK3.39 cents	317%
— Diluted	HK4.38 cents	HK1.05 cents	HK3.33 cents	317%
Net assets	1,357,015	1,244,306	112,709	9%
Key Financial Ratios				
As at and for the year ended 31 March				
Gross profit margin[(1)]	35%	18%		
Return on equity[(2)]	4.5%	1.2%		
Current ratio (times)[(3)]	1.8	1.5		
Gearing ratio[(4)]	0.07	0.15		

(1) Gross profits margin represents gross profit divided by revenue of the Group.

(2) Return on equity is defined as the ratio of profit attributable to equity holders of the Company to total equity attributable to equity holders of the company.

(3) Current ratio is defined as the ratio of total current assets to total current liabilities.

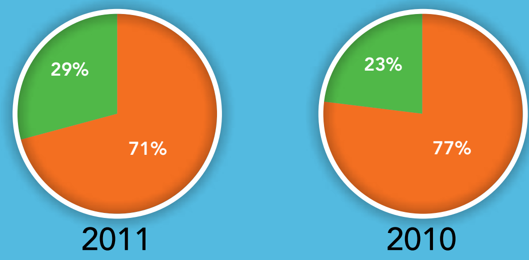
(4) Gearing ratio represents total bank borrowings, including current and non-current portion, divided by total equity.

Financial Highlights

All segments

1) Revenue by business segment

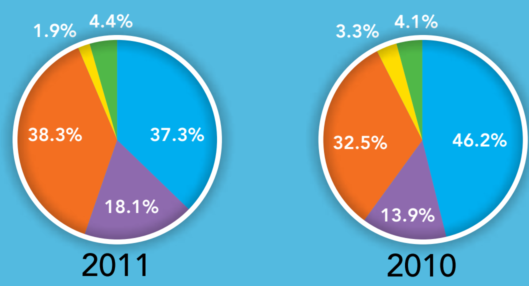
- Pearls and Jewellery Segment
- Property Development and Investment Segment



All segments

2) Revenue by geographical segment

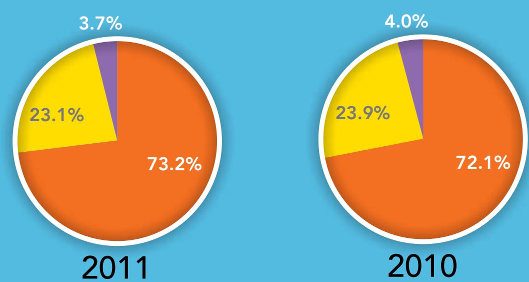
- Hong Kong
- Europe
- North America
- Other Asian Countries
- Other



Pearls and jewellery segment

3) Revenue by product

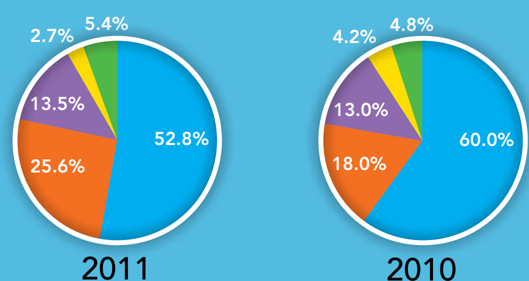
- Saltwater pearls
- Freshwater pearls
- Assembled jewellery



Pearls and jewellery segment

4) Revenue by geographical segment

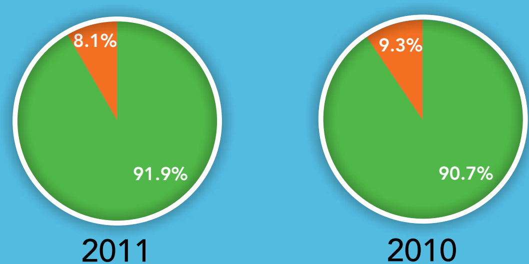
- Hong Kong
- Europe
- North America
- Other Asian Countries
- Other



Property development and investment segment

5) Revenue by business sector

- China Pearls & Jewellery City
- Other properties in the PRC & HK



Highlights of the Year 2010/2011

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

4-7 June 2010

Participated in JCK Show — Las Vegas, the United States

24- 27 June 2010

Participated in June Hong Kong Jewellery & Gem Fair

23 August 2010

2010 Annual General Meeting at the Marco Polo Prince Hotel

14-18 September 2010

Participated in September Hong Kong Jewellery & Gem Fair

25-28 November 2010

Participated in JMA Show Hong Kong 2010

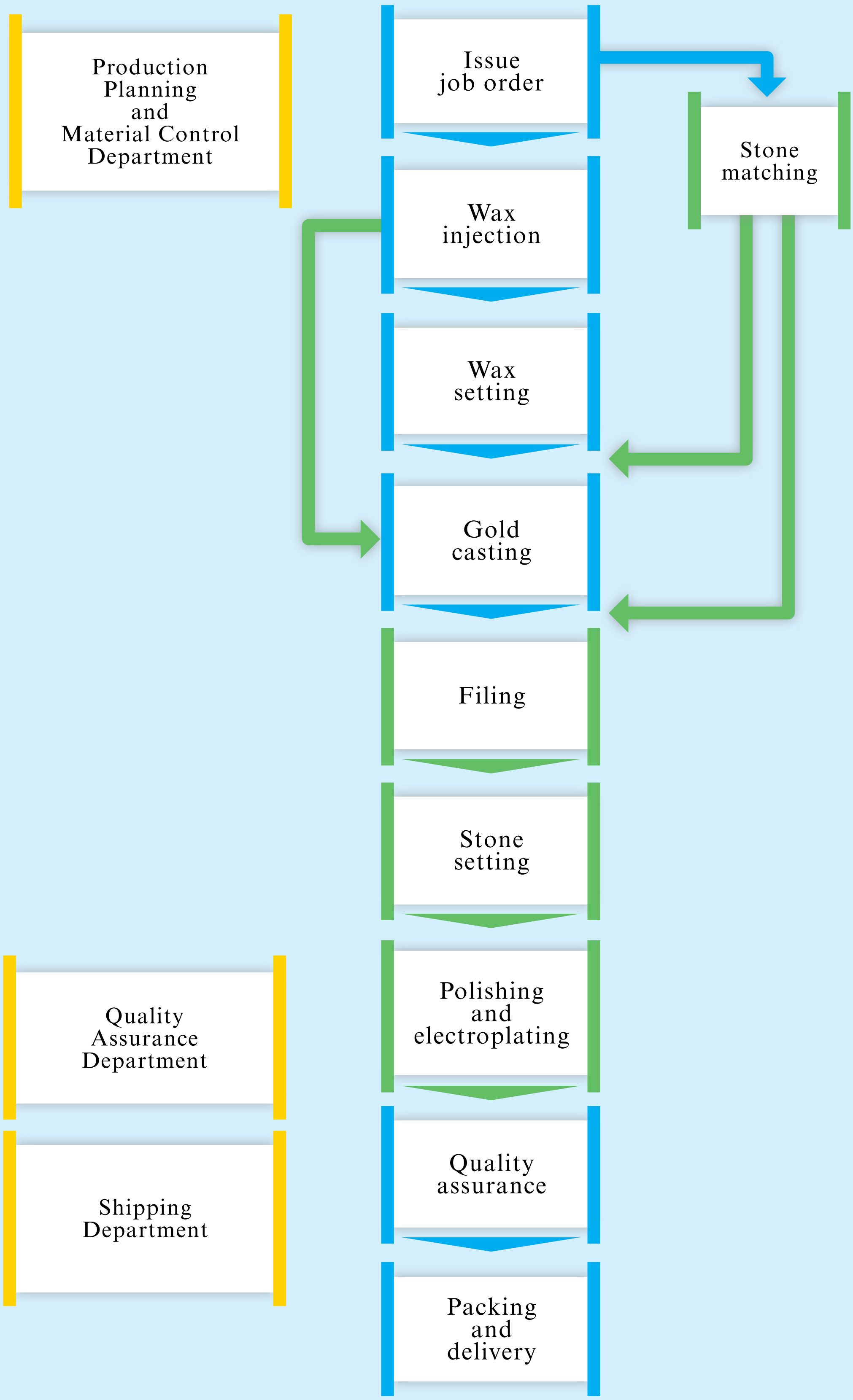
4-8 March 2011

Participated in Hong Kong International Jewellery Show 2011

24-31 March 2011

Participated the BaselWorld 2011 — World Watch Jewellery Show

Assembled Jewellery



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

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased 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 2011.

Performance

The Group recorded a profit attributable to equity holders of the Company of HK\$55 million and basic earnings per share of HK4.46 cents in 2011, as compared to the profit of HK\$13 million and basic earnings per share of HK1.07 cents in 2010.

The Group's revenue increased by HK\$63 million or 18% from HK\$339 million in 2010 to HK\$402 million in 2011 while the gross profit increased by HK\$76 million or 122% from HK\$63 million in 2010 to HK\$139 million in 2011.

In 2010, the dominant news in global finance included the shaky creditworthiness of some Euro countries and the excess liquidity due to "quantitative easing" in the USA. It appeared that it was the latter that had more impact on Asia. The price of gold climbed from around US\$1,050/oz to US\$1,400/oz, but the rise seemed only to fuel the demand for metal.

It is widely believed that Chinese consumers' increasing affluence, fear for the erosion of money's purchase power and the obstacles erected to curb speculation in the property market as well as the scarcity of trusted investment opportunities all work together to drive consumers to tangible luxury goods, which could bring new opportunities and challenges to the Group.

During the year, the People's Bank of China had made significant adjustment to its monetary policy. It has raised deposit-reserve ratio several times, resulting in the record high deposit-reserve ratio for large financial institutions of 20% for the year 2010 to 2011. The rise in interest rates and persistent tightening monetary policy has increased the cost of enterprise. Nevertheless, we will operate in line with market changes to expand our business in a proactive yet prudent approach so as to capture any opportunities in any growing market.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: Nil).

Prospects

As the first year of the "12th Five-Year Program", the growth in consumption and the maintaining of rapid growth of the Chinese economy will definitely bring new opportunities to the Group. China will remain one of the most promising markets around the globe, which serves as a vital part for the Group's sales and development of the property leasing business.

Heart-felt Thanks

On behalf of the Group, I would like to express our sincere gratitude to all our shareholders, customers and other business partners for their ongoing care and support, as well as to our employees of their dedicated endeavours and contributions to the Group during the past year.

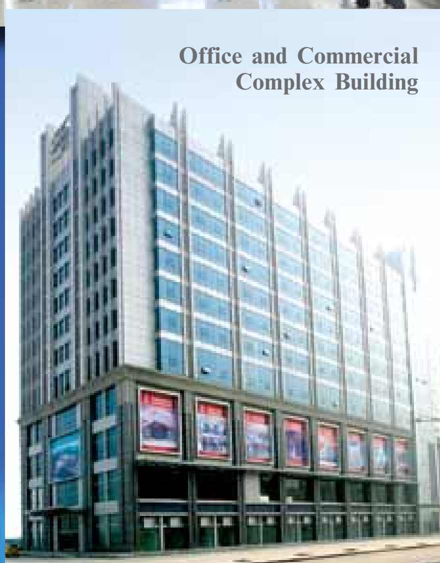
Cheng Chung Hing
Chairman

Hong Kong, 24 June 2011

China Pearls & Jewellery City


Phase I Market Centre


Apartment Building


Office and Commercial Complex Building


Factories

Corporate Structure

Man Sang International Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 938)

Pearls and Jewellery 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 City 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%)

Notes:

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

2. Man Hing Industry Development (Shenzhen) Co., Ltd. is engaged in freshwater pearls and jewellery operation and real estate operation.

Management Discussion and Analysis

Business Review

Pearls and Jewellery Operations

In 2010, the world's economy might not have completely emerged from the structural adjustment mode triggered by the global financial tsunami, nevertheless it has been slowly recovering. However, the European sovereign debt crisis did not only affect the Euro zone, it has made and continues to make a long-term impact on the global financial system.

The Asian economy, which has been relatively less affected by the economic crisis and resulting fiscal pressure in Europe, has still enjoyed growth. However, the gradual recovery and a second round of quantitative relaxation of monetary policy in the United States to bolster economic growth has inevitably caused an acceleration of capital flows and exacerbated worsening inflation rates. There was pressure on the increasing cost of processing and production of pearls and jewellery products in the PRC, resulting from the gradual appreciation of the Renminbi against Hong Kong dollars and the increasing in statutory minimum wages in the PRC, the adoption of an effective flexible purchasing strategy to source materials helped control the overall cost of manufactured products and slightly alleviate the pressure of the increasing cost of production.

The Group expects the pearls and jewellery's operating environment of the year ahead will be more severe and challenging. Given the uncertain global economy, we will remain cautious in our approach. We will formulate strategies to enhance the Group's operation efficiency and will closely monitor the cost control to maintain adequate liquidity to fund our operations.

Property Development and Investment Operations

The central government is on high alert, keeping a close watch on rapidly rising property prices to prevent the overheated market from destabilising the overall economy and affecting people's livelihood. Apart from tightening monetary policy to restrict borrowing, it is also using various measures to control the development and sale of property projects.

The tightening of bank lending policies to purchasers of real estates together with high interest rates on property loans have had an adverse effect on the development and property sales of the China Pearls and Jewellery City (the "CP&J City"). Some of the investors may not be able to obtain bank finance to complete the purchase of the properties they have contracted for. Some may have difficulty making on time installment repayments on their property loan. Financial year 2012 is a challenging year for CP&J City.

In view of 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 the Group's business strategies and development plan on the CP&J City, the management will closely monitor the changes on the China property market with constantly review on the existing business plan and response timely to the rigorous business environment.

Financial Review

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

Revenue and gross profit

Pearls and Jewellery Segment

Net sales attributable to the Pearls and Jewellery Segment increased by HK$22.7 million, or 8.7% from HK$261.5 million for financial year 2010 to HK$284.2 million for financial year 2011. The increase was primarily due to the need to replenish inventory by our customers who conducted an excessively conservative and strict purchasing strategy during the period of global financial crisis.

Gross profit increased by HK$3.0 million, or 2.7% from HK$111.5 million for financial year 2010 to HK$114.5 million for financial year 2011. The gross profit margin decreased by 2.3% from 42.6% for financial year 2010 to 40.3% for financial year 2011. The decrease in gross profit margin was caused by the pressure on the increasing cost of processing and production of pearls and jewellery products in the PRC, resulting from an increase in labour cost and the gradual appreciation of the Renminbi against Hong Kong dollars. The adoption of an effective flexible purchasing strategy to source materials helped control the overall cost of manufactured products and slightly alleviate the pressure of the increasing cost of production.

Property Development and Investment Segment

Revenue for financial year 2011 from Property Development and Investment Segment comprised net sales of properties of HK$86.4 million (2010: HK$51.7 million) and rental income of HK$31.3 million (2010: HK$26.2 million).

Net sales of properties increased by HK$34.7 million, or 67.1% from HK$51.7 million for financial year 2010 to HK$86.4 million for financial year 2011. During the year under review, the sale of completed apartments located in CP&J City was launched. A revenue of HK$61.9 million was contributed from the sale of these apartments.

Rental income increased by HK$5.1 million, or 19.5% from HK$26.2 million for financial year 2010 to HK$31.3 million for financial year 2011. Both the increase in rental value and number of properties leased to outsiders caused the increase in rental income during the year under review.

Gross profit attributable to Property Development and Investment Segment was HK$24.9 million for current financial year against a gross loss of HK$48.7 million for financial year 2010. The Group's promotional sales arrangement commenced in September 2009 selling properties at discount rates to purchasers resulted in the gross loss for financial year 2010.

Selling and administrative expenses (the "S&A expenses")

S&A expenses of HK$106.9 million (2010: HK$114.1 million) consist of selling expenses of HK$14.8 million (2010: HK$15.8 million) and administrative expenses of HK$92.1 million (2010: HK$98.3 million).

S&A expenses decreased by HK$7.2 million, or 6.3% from HK$114.1 million for financial year 2010 to HK$106.9 million for financial year 2011. The decrease was mainly due to reduction of provision for impairment loss on trade and other receivables of HK$6.4 million.

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

With reference to the valuation reports prepared by independent professional property valuers as at 31 March 2011, an increase of HK$18.6 million (2010: decrease of HK$5.3 million) in fair values of investment properties and investment properties under construction were recognised in the income statement. The increase in fair values was primarily due to an increase in fair values of the investment properties located in Hong Kong.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company increased by HK$41.7 million, or 318.3% from HK$13.1 million for financial year 2010 to HK$54.8 million for financial year 2011.

The increase was mainly contributed from the increase in fair values of investment properties and investment properties under construction of HK$18.6 million (2010: decrease of HK$5.3 million) and gain on disposals of investment properties of HK$23.8 million (2010: HK$10.8 million).

Liquidity and capital resources

As at 31 March 2011, the Group's total equity, including non-controlling interests, was HK$1,357.0 million (2010: HK$1,244.3 million). The increase in total equity was primarily due to profit of HK$63.9 million retained for the year under review and an unrealised exchange gain of HK$35.1 million arising from the translation of foreign operation of the PRC subsidiaries.

As at 31 March 2011, the working capital, representing net current assets, was HK$480.6 million (2010: HK$335.0 million). The increase in working capital was primarily due to a decrease of HK$134.4 million in bank borrowing due within one year as a result of the repayment of the bank borrowing in accordance with the stipulated terms of the loan agreement. The current ratio, representing current assets divided by current liabilities, was 1.8 (2010: 1.5).

As at 31 March 2011, the Group's total bank borrowing was HK$95.2 million (2010: HK$180.8 million), which was obtained to finance the property development in CP&J City. The Group does not currently use any derivatives to manage interest risk. Gearing ratio, representing total bank borrowing divided by total equity, was 0.07 (2010: 0.15).

As at 31 March 2011, the Group had available banking facilities of HK$228.5 million (2010: HK$330.8 million) with various banks, of which HK$95.2 million (2010: HK$180.8 million) has been drawn and HK$133.3 million (2010: HK$150.0 million) remained unused. With the committed unused banking facilities in place and available cash and cash equivalents of HK$606.8 million (2010: HK$501.5 million), the Group has adequate financial resources to meet our anticipated future liquidity requirements.

Major customers and suppliers

For financial year 2011, total sales from the five largest customers accounted for 41% (2010: 41%) of the total revenue of the Group, and total purchases from the five largest suppliers accounted for 47% (2010: 50%) of the total purchases of the Group.

Contingent liabilities

During financial year 2011, 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 2011 (2010: 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 City 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 2011, the Group has maximum exposure on the guarantees of HK$88.4 million (2010: HK$51.0 million).

Save as disclosed above, the Group had no other significant contingent liabilities as at 31 March 2011 (2010: Nil).

Treasury policy

The Group principally operates in Hong Kong and Mainland China. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollars, Hong Kong dollars and Renminbi, in which the Group's transactions were mainly denominated for financial years 2010 and 2011. Since Hong Kong dollars remains pegged to the United States dollars within a defined range, the Group has not been exposed to any significant foreign exchange risk against the United States dollars. The Group has subsidiaries operating in Mainland China, in which most of their transactions, including revenue, expenses and financing, are denominated in Renminbi. The Group has not been exposed to any significant foreign exchange transaction risk and had not entered into any foreign exchange contract as hedging measures.

Human resources

As at 31 March 2011, the Group had a total workforce of 998 (2010: 1,061), of whom 60 (2010: 70) were based in Hong Kong. For financial year 2011, the total staff cost including directors' emoluments, share options expenses, social security cost and mandatory provident fund, was approximately HK$74.5 million (2010: HK$71.5 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 50, 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 30 years of experience in pearl and jewellery businesses. Mr. Cheng is currently a chairman of China Metro-Rural Holdings Limited, a company listed on NYSE Amex (ticker symbol: CNR). 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 59, 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 30 years of experience in pearl business. Mr. Cheng is currently a vice chairman and an executive director of China Metro-Rural Holdings Limited, a company listed on NYSE Amex (ticker symbol: CNR). 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.

Ms. YAN Sau Man, Amy, aged 48, has been serving 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 25 years of experience in sales and marketing in pearl business and also years of experience in jewellery business. She is responsible for the formulation and implementation of the Group's overall sales and marketing strategies.

Non-executive Director

Mr. LEE Kang Bor, Thomas, aged 57, 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 ("CEO") of the Company with effect from 1 September 2009. He resigned as CEO of the Company on 31 March 2011 and has been re-designated as a Non-executive Director of the Company with effect from 1 April 2011. 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.

Independent Non-executive Directors

Mr. FUNG Yat Sang, aged 59, 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 Practising Accountants.

Mr. KIU Wai Ming, aged 62, 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 47, 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 25 years of experience in corporate finance and accounting.

Senior Management

Mr. PAK Wai Keung, Martin, aged 47, 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 in the United Kingdom. He has over 20 years of experience in accounting, finance and management.

Mr. CHENG Sai, aged 54, 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 of directors (the "Directors" or the "Board") of the Company 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 2011 except for deviation from the code provision A.4.1 of the CG Code, further explanations and rectification for which is 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 two Executive Directors, namely Mr. Cheng Tai Po (Deputy Chairman) and Ms. Yan Sau Man, Amy, two Non-executive Directors, namely Mr. Cheng Chung Hing (Chairman) and Mr. Lee Kang Bor, Thomas 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 21 to 22 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	Five Board meetings were held during the reporting year. The Board met at least four times (approximately one each quarter) 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 at any reasonable time 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 decisions reached. Draft and final versions of minutes of board meetings should be sent to all directors for their comment and records respectively.	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 enable directors to seek independent professional advice at the issuer's expense.	Yes	Directors are aware that independent professional advice, if required, can be sought at the Company's expense. Such request for advice could either be raised at a Board meeting or by way of circulation to all Directors.
A.1.8 If a substantial shareholder or a 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 Practices

— There is in place a Directors and Officers Liability 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, procedures and arrangements 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.	Yes	The Company separated the roles of Chairman and Chief Executive Officer ("CEO") for the purpose of ensuring an effective segregation of duties and a balance of power and authority. Mr. Cheng Chung Hing, the Chairman and Non-executive Director of the Company, focuses on the business strategy and direction of the Company, and continues to lead the Board while the CEO has taken up the responsibilities of day-to-day management of the Company's businesses and operations throughout the year ended 31 March 2011. Following the resignation of Mr. Lee Kang Bor, Thomas as CEO of the Company on 31 March 2011, the post of CEO has been vacant. The duties of CEO have been undertaken by the executive members of the Board. As there exists a clear division of responsibilities of each Director in the Group, the vacancy of the CEO position did not have any material impact on the operations of the Group.
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 Practices

— 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 calibre 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 Practices

— 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 Appointments, 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 only until the next following general meeting of the Company and shall then eligible for re-election at the meeting. At each annual general meeting one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. At the Annual General Meeting of the Company held on 23 August 2010, Mr. Fung Yat Sang, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex 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 such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under applicable legal requirements, rules and regulatory policies.	Yes	No Director was appointed during the year. An information package containing an introduction to the Group's operations, the Code, and directors' responsibilities, duties and other applicable statutory and regulatory requirements will be provided to newly appointed directors upon their appointment. The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other applicable statutory requirements 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 meetings; (b) take the lead where potential conflicts of interests arise; (c) serve on the audit, remuneration and other governance committees, if invited; and (d) scrutinise 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 and attention to the affairs of the issuer.	Yes	The attendance of all Board and Board Committees during the period from 1 April 2010 to 31 March 2011 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 (the "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 (the "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 2010 to 31 March 2011.

Compliance with Recommended Best Practices

— 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 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 practices; 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. 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 Practices

— 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 Controls

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 (the "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.

During the year ended 31 March 2011, 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 2011 fully complied with the code provision on internal controls as set out in the CG Code.

C.3 Audit Committee

Principle of the Code

The board should establish formal and transparent arrangements 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 meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of the audit committee meetings should be sent to all members of the committee for their comment 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 June 2011 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 authorised 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 organises additional committee meetings if and when necessary. There were four Audit Committee meetings held during the year ended 31 March 2011, attendance record of the meetings are set out in section headed "Attendance Record" of this report.

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.

CODE PROVISIONS	COMPLIANCE	ACTIONS BY THE COMPANY
D.1.2 An issuer should formalise 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, remuneration committees or in the absence of the chairman of such committees, another member of the committee, to be available to answer questions at any general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve connected transaction or any other transaction that is subject to independent shareholders' approval.	Yes	The Chairman of the Board attended the annual general meeting of the Company ("2010 AGM") held on 23 August 2010. Both Chairmen of the Audit Committee and the Remuneration Committee also attended the AGM to make themselves available to answer questions raised at the 2010 AGM.
E.1.3 The issuer 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 2010 AGM held on 23 August 2010 and over 10 clear business days notice for the special general meeting held on 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.

Auditors' 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 auditor where they are best suited.

The remuneration for the audit services provided by PricewaterhouseCoopers to the Group during the year ended 31 March 2011 was as follows:

Type of services	**Amount** HK$'000
Audit	1,100
Other services	110
Total:	1,210

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 2010 AGM of the Company held on 23 August 2010 to answer shareholders' questions.

Resolutions were proposed at the 2010 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 summarised as follows:

Meeting	Date	Venue	Resolutions
Special General Meeting	28 April 2010	the Garden Rooms, 2/F, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong	Ordinary resolution 1. to approve the change of auditor of the Company from Ernst & Young to PricewaterhouseCoopers
Annual General Meeting	23 August 2010	Beijing Suite I, 3/F., Marco Polo Prince Hotel, 23 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	Ordinary resolutions 1. to receive and consider the audited financial statements for the year ended 31 March 2010 2. to re-elect Directors and to authorise the Board to fix their remuneration 3. to re-appoint auditor 4. to grant general mandates to repurchase shares and to issue shares Special resolution 1. to approve the proposed amendments to the bye-laws of the Company

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 employees 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 committees meetings were held. The attendance record of each director at the aforesaid meetings is set out below:

	Board	Audit Committee	Remuneration Committee
Non-executive Directors			
Mr. Cheng Chung Hing *(Chairman)*	5/5	N/A	3/3
Mr. Lee Kang Bor, Thomas (Note 1)	5/5	N/A	N/A
Executive Directors			
Mr. Cheng Tai Po *(Deputy Chairman)*	5/5	N/A	3/3
Ms. Yan Sau Man, Amy	5/5	N/A	N/A
Independent Non-executive Directors			
Mr. Fung Yat Sang	5/5	4/4	3/3
Mr. Kiu Wai Ming	5/5	4/4	3/3
Mr. Lau Chi Wah, Alex	5/5	4/4	3/3

Note:

1. Mr. Lee Kang Bor, Thomas was re-designated as a Non-executive Director on 1 April 2011.

Directors' Report

The Directors of the Company (the "Directors") present this Directors' Report (the "Directors' Report") together with the audited financial statements of the Group for the year ended 31 March 2011.

Principal Activities

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

The principal activities of the subsidiaries are set out in note 44 to the consolidated financial statements.

Major Customers and Suppliers

The percentages of purchases and sales for the year ended 31 March 2011 attributable to the Group's major suppliers and customers are as follows:

Purchases		
—	the largest supplier	24%
—	five largest suppliers combined	47%
Sales		
—	the largest customer	14%
—	five largest customers combined	41%

None of 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 2011 are set out in the consolidated income statement on page 55 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 Capitalised

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 capitalised by the Group during the year are set out in note 37 to the consolidated financial statements.

Distributable Reserves

The Company's net reserves available for distribution, calculated in accordance with the provisions of the Bermuda Companies Act 1981, as at 31 March 2011 amounted to HK$98,280,000 (2010: HK$99,323,000), which represents the aggregate of contributed surplus of HK$96,857,000 (2010: HK$96,857,000), share option reserve of HK$9,427,000 (2010: HK$9,223,000) and accumulated losses of HK$8,004,000 (2010: HK$6,757,000).

Reserves

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

Share Capital

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

Donations

Donations made by the Group during the year amounted to HK$1,187,000.

Five-year Financial Summary

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

Directors

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

Non-executive Directors
Mr. Cheng Chung Hing *(Chairman)*
Mr. Lee Kang Bor, Thomas*

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

Independent Non-executive Directors
Mr. Fung Yat Sang
Mr. Kiu Wai Ming
Mr. Lau Chi Wah, Alex

* Mr. Lee Kang Bor, Thomas resigned as Chief Executive Officer on 31 March 2011 and has been re-designated as a Non-executive Director of the Company with effect from 1 April 2011.

In accordance with bye-law 87 of the Company's bye-laws, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation. Accordingly, Mr. Cheng Chung Hing and Mr. Cheng Tai Po shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

Directors' Service Agreement

Each of Mr. Cheng Chung Hing, Mr. Cheng Tai Po and Ms. Yan Sau Man, Amy 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 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.

On 31 March 2011, both the Company and Mr. Lee Kang Bor, Thomas had agreed to terminate the service agreement dated 31 August 2009 for a term of three years commencing from 1 September 2009. As a Non-executive Director, Mr. Lee Kang Bor, Thomas has not entered into any service agreement with the Company.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management are set out on pages 21 to 22.

Directors' Interests in Contracts of Significance

Save as disclosed under the section headed "Continuing Connected Transactions" below and in note 42 to the consolidated financial statements, no other 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 (the "Man Sang Jewellery"), a wholly-owned subsidiary of the Company and China South City Holdings Limited (the "China South City") which is deemed as a connected person of the Company as The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has exercised its discretion under Rule 14A.06 of the Rules Governing the Listing of Securites (the "Listing Rules").

Connected person	Date of agreement	Terms	Shared Premises	Consideration for the year ended 31 March 2011
China South City	23 February 2011	3 years commencing on 17 March 2011 to 16 March 2014 (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$1,884,000 (Note 1)

Note:

1. The annual consideration is based on monthly rental fees, management fees, air-conditioning fees, utilities fees and government rates.

Rental fees, management fees, air-conditioning fees and utilities fees payable by China South City to Man Sang Jewellery 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 23 February 2011 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 2011 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 Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" 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 2011 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 2011 as set out in the announcement dated 23 February 2011.

Specific Performance Obligations of the Controlling Shareholder

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

Share Option Scheme

Particulars of the Company's share option scheme which was adopted on 2 August 2002 (the "Share Option Scheme") are set out in note 34 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	No. of share options Balance as at 1 April 2010	Changes during the year Exercised during the year	Lapsed during the year	Balance as at 31 March 2011	Notes
				HK$					
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	—	(5,000,000)	5,000,000	1, 2
					30,000,000	—	(5,000,000)	25,000,000	
Other Employees									
	2 May 2006	2 May 2006 to 1 May 2012	Nil	0.253	15,000,000		(5,000,000)	10,000,000	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	20,050,000	(2,150,000)	(1,350,000)	16,550,000	1, 2
					47,050,000	(2,150,000)	(6,350,000)	38,550,000	
					77,050,000	(2,150,000)	(11,350,000)	63,550,000	

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 price of the share options as additional share capital and the Company will record the excess of the exercise price of the share options over 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, another 2,500,000 options were vested on the first anniversary of the date of grant and the remaining 3,000,000 options will be vested on the second anniversary of the date of grant.

4. Mr. Lee Kang Bor, Thomas resigned as Chief Executive Officer of the Company on 31 March 2011 and the 5,000,000 options held by him as at 31 March 2011 were lapsed and the remaining 5,000,000 options were lapsed upon the expiry of 30 April 2011 exercisable period.

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.

7. No option has been granted during the year.

Directors' Interests in Securities

As at 31 March 2011, 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) Long positions in ordinary shares of the Company

		Number of ordinary shares of HK$0.10 each held			Percentage of the issued share capital of the
Name of director	**Capacity**	**Direct interest**	**Deemed interest**	**Total interest**	**Company**
Mr. Cheng Chung Hing	Beneficial owner and interest of a controlled corporation	235,687,273	469,418,898 (Note 1)	705,106,171	57.46%
Mr. Cheng Tai Po	Beneficial owner and interest of a controlled corporation	104,086,180	468,781,655 (Note 2)	572,867,835	46.69%

Notes:

1. Among these 469,418,898 shares of the Company, 468,781,655 shares were directly owned by Rich Men Limited, a company incorporated in the British Virgin Islands, Mr. Cheng Chung Hing and Mr. Cheng Tai Po own 60% and 40% of the issued share capital of Rich Men Limited respectively; 637,243 shares were directly owned by China Metro-Rural Holdings Limited, a company incorporated in the British Virgin Islands and listed on the NYSE Amex, which is indirectly controlled by Mr. Cheng Chung Hing.

2. These 468,781,655 shares of the Company were directly owned by Rich Men Limited, Mr. Cheng Chung Hing and Mr. Cheng Tai Po own 60% and 40% of the issued share capital of Rich Men Limited respectively.

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 Option Scheme" of this Directors' Report.

(b) Long positions in underlying shares of the Company

Details of the interests of the Directors in the share options of the Company are separately disclosed under the section headed "Share Option Scheme".

All interests stated above represent long positions.

Save as disclosed above, none of the Directors had, as at 31 March 2011, any interests or 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.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the section headed "Share Option Scheme" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Substantial Shareholders' Interests in Securities

As at 31 March 2011, substantial shareholders' interests and short positions in the shares and underlying shares of the Company, other than the Directors, as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO were as follow:

		Number of shares held		
Name of shareholder	**Capacity**	**Direct interest**	**Deemed interest**	**Percentage of the ordinary shares of the Company**
Rich Men Limited	Beneficial Owner	468,781,655	—	38.20%

The interests stated above represent long positions.

Save as disclosed above, as at 31 March 2011, the Company has not been notified of any person (other than the Directors of the Company) or entity had an interest or a short position in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules on the Stock Exchange for securities transactions by the Directors. Having made specific enquiries with all the Directors, they have confirmed compliance with the required standard as set out in the Model Code throughout the year ended 31 March 2011.

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 2011.

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 a sufficient 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 which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who 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 has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2011.

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, 24 June 2011

Independent Auditor's Report

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 55 to 125, which comprise the consolidated and company balance sheets as at 31 March 2011, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 2011, and of the Group's profit 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, 24 June 2011

Consolidated Income Statement

	Notes	Year ended 31 March 2011 HK$'000	2010 HK$'000 (restated)
Revenue	7	**401,854**	339,379
Cost of sales	11	**(262,448)**	(276,602)
Gross profit		**139,406**	62,777
Other income	9	**1,468**	653
Other gains — net	10	**36,043**	16,123
Selling expenses	11	**(14,834)**	(15,826)
Administrative expenses	11	**(92,116)**	(98,248)
Increase/(Decrease) in fair values of investment properties and investment properties under construction		**18,612**	(5,323)
Operating profit/(loss)		**88,579**	(39,844)
Finance income	37	**5,014**	1,859
Finance costs	37	**(1,182)**	(1,620)
Finance income — net	37	**3,832**	239
Share of profit of an associate	23	**15**	48
Profit/(Loss) before income tax		**92,426**	(39,557)
Income tax (expense)/credit	14	**(28,518)**	14,369
Profit/(Loss) for the year		**63,908**	(25,188)
Attributable to:			
Equity holders of the Company	15	**54,753**	13,086
Non-controlling interests		**9,155**	(38,274)
		63,908	(25,188)
Earnings per share attributable to equity holders of the Company	16		
Basic		**4.46 cents**	1.07 cents
Diluted		**4.38 cents**	1.05 cents

Details of dividend to the equity holders of the Company are set out in note 17.

The notes on pages 64 to 125 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 31 March	
	2011	2010
	HK$'000	HK$'000
		(restated)
Profit/(Loss) for the year	**63,908**	(25,188)
Other comprehensive income:		
Exchange difference on translation of foreign operations	**35,070**	(125)
Change in deferred income tax liabilities in relation to increase in fair values of leasehold land and buildings arising from tax rate change	**(199)**	—
Increase in fair values of leasehold land and buildings, net of deferred income tax	**10,711**	22,890
Other comprehensive income for the year	**45,582**	22,765
Total comprehensive income/(loss) for the year, net of tax	**109,490**	(2,423)
Attributable to:		
Equity holders of the Company	**88,317**	35,845
Non-controlling interests	**21,173**	(38,268)
	109,490	(2,423)

The notes on pages 64 to 125 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Notes	As at 31 March 2011 HK$'000	2010 HK$'000 (restated)	As at 1 April 2009 HK$'000 (restated)
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	18	**847,257**	762,865	845,384
Investment properties under construction	19	**61,741**	133,679	201,328
Property, plant and equipment	21	**117,736**	110,612	86,338
Prepaid lease payments	22	**8,024**	8,630	239
Investment in an associate	23	**121**	100	52
Deferred income tax assets	25	**1,126**	1,289	—
		1,036,005	1,017,175	1,133,341
Current assets				
Inventories	26	**52,104**	51,646	41,942
Properties under development	20	**36,711**	69,431	—
Completed properties held for sale	27	**206,743**	202,073	179,619
Trade and other receivables	28	**134,835**	161,506	226,553
Financial assets at fair value through profit or loss	29	**30,540**	49,194	18,619
Current income tax recoverable		**4,794**	5,401	3,479
Pledged bank deposits	36	**—**	17,000	17,000
Cash and cash equivalents	30	**606,806**	501,541	462,766
		1,072,533	1,057,792	949,978
Current liabilities				
Trade and other payables	31	**463,042**	488,775	439,456
Current income tax liabilities		**103,606**	74,253	68,507
Bank borrowings	32	**23,800**	158,197	90,400
Amount due to an associate	23	**1,492**	1,530	—
		591,940	722,755	598,363
Net current assets		**480,593**	335,037	351,615
Total assets less current liabilities		**1,516,598**	1,352,212	1,484,956
Non-current liabilities				
Deferred income tax liabilities	25	**88,183**	85,306	105,269
Bank borrowings	32	**71,400**	22,600	101,700
		159,583	107,906	206,969
Net assets		**1,357,015**	1,244,306	1,277,987

Consolidated Balance Sheet

	Notes	As at 31 March **2011** **HK$'000**	2010 HK$'000 (restated)	As at 1 April 2009 HK$'000 (restated)
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	33	**122,709**	122,494	122,474
Reserves		**1,102,703**	1,011,387	1,006,820
		1,225,412	1,133,881	1,129,294
Non-controlling interests		**131,603**	110,425	148,693
Total equity		**1,357,015**	1,244,306	1,277,987

The notes on pages 64 to 125 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 55 to 125 were approved and authorised for issue by the Board of Directors on 24 June 2011 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	
		2011	2010
	Notes	**HK$'000**	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	24	**210,542**	210,012
Amounts due from subsidiaries	24	**233,049**	149,167
		443,591	359,179
Current assets			
Other receivables		**258**	523
Financial assets at fair value through profit or loss	29	**2,119**	6,916
Amounts due from subsidiaries	24	**94,424**	171,067
Cash and cash equivalents	30	**3,508**	5,990
		100,309	184,496
Current liabilities			
Other payables		**252**	252
Net current assets		**100,057**	184,244
Total assets less current liabilities		**543,648**	543,423
Net assets		**543,648**	543,423
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	33	**122,709**	122,494
Reserves	35	**420,939**	420,929
Total equity		**543,648**	543,423

The notes on pages 64 to 125 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 55 to 125 were approved and authorised for issue by the Board of Directors on 24 June 2011 and were signed on its behalf by:

Cheng Chung Hing
Chairman &
Non-executive Director

Cheng Tai Po
Deputy Chairman &
Executive Director

Consolidated Statement of Cash Flows

	Year ended 31 March	
	2011	2010
	HK$'000	HK$'000
		(restated)
Cash flows from operating activities		
Profit/(Loss) before income tax	**92,426**	(39,557)
Adjustments for:		
Interest income	**(5,014)**	(1,859)
Interest expenses	**1,182**	1,620
Depreciation of property, plant and equipment	**9,409**	8,886
Amortisation of prepaid lease payments	**2,318**	450
Share of profit of an associate	**(15)**	(48)
Share options expenses	**2,360**	5,411
(Increase)/Decrease in fair values of investment properties and investment properties under construction	**(18,612)**	5,323
Gain on disposals of investment properties	**(23,830)**	(10,799)
Loss/(Gain) on disposals of property, plant and equipment	**1,161**	(4)
Fair value change in financial assets at fair value through profit or loss	**(6,643)**	(6,166)
Dividend income	**(1,468)**	(653)
Provision for impairment of trade and other receivables	**4,215**	10,639
Loss on impairment of properties under development	**—**	591
Operating cash flows before movements in working capital	**57,489**	(26,166)
Decrease/(Increase) in inventories	**798**	(9,704)
Decrease in completed properties held for sale	**81,188**	109,681
Increase in properties under development	**(17,026)**	(39,467)
Decrease in trade and other receivables	**28,731**	54,309
(Decrease)/Increase in trade and other payables	**(44,601)**	49,319
Increase in prepaid lease payments	**(1,346)**	(8,841)
(Decrease)/Increase in amount due to an associate	**(119)**	1,530
Cash generated from operations	**105,114**	130,661
Interest paid	**(8,081)**	(10,890)
Income taxes paid	**(4,841)**	(8,106)
Net cash generated from operating activities	**92,192**	111,665

Consolidated Statement of Cash Flows

		Year ended 31 March	
		2011	2010
	Notes	**HK$'000**	HK$'000
			(restated)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,722)**	(5,250)
Proceeds from disposals of property, plant and equipment		**139**	5
Additions to investment properties		**(4,491)**	—
Proceeds from disposals of an investment property		**74,789**	23,606
Additions to investment properties under construction		**(14,486)**	(21,382)
Purchases of financial assets at fair value through profit or loss		**(104,706)**	(130,538)
Proceeds from disposals of financial assets at fair value through profit or loss		**130,003**	106,129
Dividend received		**1,468**	653
Decrease in pledged bank deposits		**17,000**	—
Interest received		**5,014**	1,859
Net cash generated from/(used in) investing activities		**101,008**	(24,918)
Cash flows from financing activities			
Issue of new shares		**854**	79
Issue of new shares by a subsidiary		**5**	—
Proceeds from bank borrowings		**71,400**	58,757
Repayments of bank borrowings		**(164,600)**	(70,060)
Dividend paid	17	**—**	(36,748)
Net cash used in financing activities		**(92,341)**	(47,972)
Net increase in cash and cash equivalents		**100,859**	38,775
Cash and cash equivalents at beginning of the year		**501,541**	462,766
Effect of foreign exchange rate changes		**4,406**	—
Cash and cash equivalents at end of the year	30	**606,806**	501,541

The notes on pages 64 to 125 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Share option reserve**	**Property revaluation reserve**	**Translation reserve**	**Retained profits (note a)**	**Total**	**Non-controlling interests**	**Total equity**
	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
Effect of adoption of HKAS 17 (Amendment) (Note 3(a))	—	—	—	14,551	—	1,015	15,566	—	15,566
Balance at 1 April 2009 (restated)	122,474	321,509	3,946	81,034	36,996	563,335	1,129,294	148,693	1,277,987
Profit/(loss) for the year (restated)	—	—	—	—	—	13,086	13,086	(38,274)	(25,188)
Other comprehensive income/(loss):									
Increase in fair values of leasehold land and buildings, net of deferred income tax (restated)	—	—	—	22,890	—	—	22,890	—	22,890
Exchange difference on translation of foreign operations	—	—	—	—	(131)	—	(131)	6	(125)
Total comprehensive income/(loss) for the year (restated)	—	—	—	22,890	(131)	13,086	35,845	(38,268)	(2,423)
Employee share option benefits	—	—	5,411	—	—	—	5,411	—	5,411
Issue of new shares upon exercise of share options	20	59	—	—	—	—	79	—	79
Dividend paid	—	—	—	—	—	(36,748)	(36,748)	—	(36,748)
Transfer to share premium upon exercise of share options	—	38	(38)	—	—	—	—	—	—
Transfer of retained profits upon lapse of share options	—	—	(96)	—	—	96	—	—	—
Release of property revaluation reserve upon depreciation of leasehold land and buildings	—	—	—	(438)	—	438	—	—	—
Transferred to retained profits upon disposals of completed properties held for sale, net of deferred income tax	—	—	—	(6,034)	—	6,034	—	—	—
Balance at 31 March 2010 (restated)	122,494	321,606	9,223	97,452	36,865	546,241	1,133,881	110,425	1,244,306

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits (note a) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2010 (restated)	122,494	321,606	9,223	97,452	36,865	546,241	1,133,881	110,425	1,244,306
Profit for the year	—	—	—	—	—	54,753	54,753	9,155	63,908
Other comprehensive income:									
Increase in fair values of leasehold land and buildings, net of deferred income tax	—	—	—	10,711	—	—	10,711	—	10,711
Change in deferred income tax liabilities in relation to increase in fair values of leasehold land and buildings arising from tax rate change	—	—	—	(199)	—	—	(199)	—	(199)
Exchange difference on translation of foreign operation	—	—	—	—	23,052	—	23,052	12,018	35,070
Total comprehensive income for the year	—	—	—	10,512	23,052	54,753	88,317	21,173	109,490
Employee share option benefits	—	—	2,360	—	—	—	2,360	—	2,360
Issue of new shares by a subsidiary	—	—	—	—	—	—	—	5	5
Issue of new shares upon exercise of share options	215	639	—	—	—	—	854	—	854
Transfer to share premium upon exercise of share options	—	414	(414)	—	—	—	—	—	—
Transfer to retained earnings upon lapse of share options	—	—	(1,742)	—	—	1,742	—	—	—
Release of property revaluation reserve upon depreciation of leasehold land and buildings	—	—	—	(1,201)	—	1,201	—	—	—
Transferred to retained profits upon disposals of completed properties held for sale, net of deferred income tax	—	—	—	(2,121)	—	2,121	—	—	—
Balance at 31 March 2011	122,709	322,659	9,427	104,642	59,917	606,058	1,225,412	131,603	1,357,015

Note:

(a) The Group's retained profits included an amount of HK$17,530,000 (2010: HK$12,551,000) 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 64 to 125 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

1. General Information

Man Sang International Limited ("the Company") and its subsidiaries (together, "the Group") are principally engaged in the (i) purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewellery products, and (ii) development, sales and leasing of properties.

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

On 28 July 2010, China Metro-Rural Holdings Limited ("CNR"), the then immediate holding company of the Company, announced a dividend to CNR's shareholders by way of distribution in specie of the shares of the Company held by CNR. The distribution has been completed during the year ended 31 March 2011 and by which CNR is no longer the Company's holding company.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 June 2011.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 land and buildings, which are stated at fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation (Continued)

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in an associate includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligation or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investment in the associate are recognised in the income statement.

2. Summary of Significant Accounting Policies (Continued)

(c) Investment properties

Investment properties are land and/or buildings held by the Group or under finance lease 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.

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.

Properties that are being constructed or developed for future use as investment properties are classified as investment properties under construction. Investment properties under construction are initially stated at cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any impairment losses. At the end of each reporting period when fair value can be determined reliably, it is stated at fair value subsequent to initial recognition. Any difference between the fair value of the property at the date and its previous carrying amount is recognised in the income statement. 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).

2. Summary of Significant Accounting Policies (Continued)

(d) Property, plant and equipment

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

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or 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 land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation increase is credited to the 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 land and 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 land and buildings transferred from investment properties are stated at deemed cost equal to its fair value at the date of change in use and is continued to account for as if it was an asset held under finance lease. The entire lease payment of leasehold land and buildings are included in the cost of land and buildings as a finance lease in property, plant and equipment and stated at revalued amount.

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

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

2. Summary of Significant Accounting Policies (Continued)

(d) 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.

(e) Properties under development

Properties that are being constructed or developed for future use as held-for-sales are classified as properties under development and 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.

(f) 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.

(g) Prepaid lease payments

Prepaid lease payments include up-front payments to acquire leasehold land and payments for lease of properties, where the leases are held under operating lease. 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)

(h) 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(m) 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)

(h) 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)

(h) 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.

2. Summary of Significant Accounting Policies (Continued)

(h) Financial instruments (Continued)

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 contract at the amount determined in accordance with HKAS 37, 'Provisions, Contingent Liabilities and Contingent Asset'.

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.

(i) 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.

(j) 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.

2. Summary of Significant Accounting Policies (Continued)

(k) 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.

(l) 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.

(m) 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 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 recognise it as part of the sales consideration received with a corresponding debit to prepaid 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 properties.

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

2. Summary of Significant Accounting Policies (Continued)

(m) Revenue recognition (Continued)

Revenue from sales of properties with operating leaseback (Continued)

To promote sales of certain properties, the Group conducted a promotional sale of these properties since 2009 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 lease payments. The prepaid lease payments will be amortised and recognised as operating leases expense on a straight line basis over the period of the lease.

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.

(n) 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)

(o) 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.

(p) 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 ("HK$"), which is the Company's functional and the Group's presentation currency.

2. Summary of Significant Accounting Policies (Continued)

(p) Foreign currency translation (Continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

All foreign exchange gains and losses are presented in the income statement within 'other gains — net'.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

(p) Foreign currency translation (Continued)

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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

(q) 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.

2. Summary of Significant Accounting Policies (Continued)

(r) 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.

(s) Employee benefits

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

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.

(t) 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.

2. Summary of Significant Accounting Policies (Continued)

(t) Borrowing costs (Continued)

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.

(u) 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 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) New and amended standards adopted by the Group

The following revised standards and amendments to standards are mandatory for the first time for the accounting periods beginning on 1 April 2010.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact in the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

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

(a) New and amended standards adopted by the Group (Continued)

- HKAS 17 (Amendment) 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under 'Prepaid lease payments', and amortised over the lease term.

  HKAS 17 (Amendment) has been applied retrospectively for accounting periods beginning on 1 April 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 April 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease and such adjustment has been made retrospectively. Accordingly, leasehold land in Hong Kong is accounted for as 'Property, plant and equipment' and is stated at fair value based on periodic valuations less subsequent depreciation.

  The effect of the adoption of this amendment is as below:

	Year ended 31 March	
	2011	2010
	HK$'000	HK$'000
Consolidated income statement		
(Decrease)/Increase in other gains — net	**(473)**	144
Increase in administrative expenses	**1,145**	478
Decrease in income tax expense	**267**	55
Decrease in basic earnings per share (cents per share)	**0.11**	0.02
Decrease in diluted earnings per share (cents per share)	**0.11**	0.02

	As at 31 March		As at 1 April
	2011	2010	2009
	HK$'000	HK$'000	HK$'000
Consolidated balance sheet			
Increase in property, plant and equipment	**74,600**	66,850	46,180
Decrease in prepaid lease payments	**26,125**	26,831	27,537
Increase in property revaluation reserve	**39,736**	32,281	14,551
Increase in deferred income tax liabilities	**7,998**	6,603	3,077
Increase in retained profits	**741**	1,135	1,015

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

(a) New and amended standards adopted by the Group (Continued)

- HK Interpretation 5, 'Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause', issued on 29 November 2010, immediately effective on that day. The interpretation states that a borrower shall classify the term loan as a current liability in its balance sheet under paragraph 69(d) of HKAS 1, 'Presentation of Financial Statements', if the borrower does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

(b) New standards, new interpretations, amendments and revision to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:

- HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess potential impact of this standard. The Group will adopt the revised standard as and when it becomes effective.

- HKAS 24 (Revised), 'Related party disclosures' supersedes HKAS 24, 'Related party disclosures' issued in 2003. The revised HKAS 24 is mandatory for periods beginning on or after 1 January 2011. The Group will adopt the revised standard as and when it becomes effective.

- Amendments to HK(IFRIC) — Int 14, 'Prepayments of a minimum funding requirement' corrects an unintended consequence of HK(IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) — Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group. The Group will adopt the amended interpretation as and when it becomes effective.

- HK(IFRIC) — Int 19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted. The Group will adopt the amended interpretation as and when it becomes effective.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011. The Group will adopt the improvements as and when they become effective.

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

(b) New standards, new interpretations, amendments and revision to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted: (Continued)

- An amendment to HKFRS 7, 'Financial Instruments: Disclosure' was issued in October 2010 which requires additional disclosures for risk exposures arising from transferred financial assets. The amendment will be effective for annual periods beginning on or after 1 July 2011, with earlier application permitted. No disclosures are required for prior periods. The Group will adopt the amended standard as and when it becomes effective.

- An amendment to HKAS 12, 'Income Taxes' was issued in December 2010 whereby deferred taxes on as investment property, carried under the fair value model in HKAS 40, 'Investment Property' will be measured presuming that an investment property is recovered entirely through sale. The presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012 with earlier application permitted. The Group will adopt the amended standard as and when it becomes 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. 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.

4. Critical Accounting Estimates and Judgement (Continued)

Fair values of leasehold land and buildings, investment properties and investment properties under construction

Leasehold land and buildings, investment properties and investment properties under construction are stated at fair value in accordance with the Group's accounting policies. The fair values of leasehold land and 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 land and 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 end of each reporting 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 end of each reporting date to ensure inventories are shown at the lower of cost and net realisable value.

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 amounts. 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.

4. Critical Accounting Estimates and Judgement (Continued)

Promotional sales of certain properties

As discussed in note 2(m), the Group conducted a promotional sale of certain properties since 2009. 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 upon transfer of title to the properties with the remainder 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. Management reassesses the collectability of the receivable based on the credit history of the customers and prevailing market conditions at the end of each reporting date to ensure the recoverable amount of the receivable was fairly stated.

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 bank borrowings (see note 32), cash and cash equivalents (see note 30) 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 to shareholders.

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.

(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$"). The Group is exposed to foreign currency risk arising from the movements in the exchange rates of these different currencies against the functional currencies of the Group entities. The Group manages its foreign currency risks by closely monitoring the movement of the foreign currency rates. Most of the Group's business transactions are denominated in HK$, 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 2011, if HK$ had weakened/strengthened by 2% (2010: 1%) against RMB with all other variables held constant, post-tax profit for the year would have been HK$3,245,000 lower/higher (post-tax loss for the year ended 31 March 2010: HK$2,269,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of RMB-denominated receivables, payables and bank borrowings.

6. Financial Risk Management Objectives and Policies (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group's exposure to interest rate risk relates primarily to variable-rate bank borrowings of HK$95,200,000 (2010: HK$124,297,000) and fixed rate bank borrowings of Nil (2010: HK$56,500,000). Borrowings at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash deposit held at variable interest rates. Borrowings 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 2011, if interest rates had been 25 basis points higher/lower with all other variable held constant, interest payment on floating rate borrowings would have been approximately HK$238,000 (2010: HK$311,000) 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 ended 31 March 2010 would have been approximately HK$101,000 higher/lower mainly as a result of an increase/a decrease in fair value of fixed rate borrowings.

(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 increased/decreased and the profit for the year would have been increased/decreased by approximately HK$2,550,000 (the loss for the year ended 31 March 2010 would have been decreased/increased by approximately HK$4,108,000).

6. Financial Risk Management Objectives and Policies (Continued)

(b) Credit risk

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

In respect of 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 credit 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.

(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 2011			31 March 2010		
	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	**248,181**	**—**	**—**	262,694	—	—
Bank borrowings and interest payments	**28,406**	**4,080**	**75,756**	162,959	1,302	26,288
Amount due to an associate	**1,492**	**—**	**—**	1,530	—	—
	278,079	**4,080**	**75,756**	427,183	1,302	26,288

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.

6. Financial Risk Management Objectives and Policies (Continued)

(d) Fair value estimation

The different levels of the fair value measurement hierarchy have been defined as follows:

- 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$30,540,000 (2010: HK$49,194,000) 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; and (iii) the amounts received and receivable in respect of leasing of investment properties.

	2011 **HK$'000**	2010 HK$'000
Sales of pearls and jewellery	**284,160**	261,539
Sales of properties	**86,373**	51,720
Rental income	**31,321**	26,120
	401,854	339,379

8. Segment Information

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

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:

(i) Pearls and jewellery — Purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewellery products.

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

8. Segment Information (Continued)

Segment information about these businesses is presented below:

For the year ended 31 March 2011:

	Pearls and jewellery HK$'000	Property development and investment HK$'000	Total HK$'000
Profit and loss items			
Segment revenue	284,160	118,699	402,859
Inter-segment revenue	—	(1,005)	(1,005)
Revenue from external customers	284,160	117,694	401,854
Segment operating profit	29,234	55,652	84,886
Finance income	3,106	1,906	5,012
Finance costs	(1,061)	(121)	(1,182)
Share of profit of an associate	—	15	15
Segment profit before income tax	31,279	57,452	88,731
Income tax expenses	(2,318)	(25,231)	(27,549)
Segment profit for the year	28,961	32,221	61,182
As at 31 March 2011			
Balance sheet items			
Total segment assets	612,092	1,431,371	2,043,463
Total segment assets include:			
Investment in an associate	—	121	121
Additions to non-current assets (other than deferred income tax assets)	3,619	20,361	23,980
Total segment liabilities	44,733	705,903	750,636
Other information:			
Depreciation	(7,157)	(2,252)	(9,409)
Amortisation	—	(2,318)	(2,318)
Increase in fair values of investment properties and investment properties under construction	—	18,612	18,612
Gain on disposals of investment properties	—	23,830	23,830
(Loss)/Gain on disposals of property, plant and equipment	(1,167)	6	(1,161)
(Provision for)/Reversal of impairment of trade and other receivables	(5,940)	1,725	(4,215)
Reversal of provision for inventory obsolescence	16,300	—	16,300

8. Segment Information (Continued)

For the year ended 31 March 2010 (restated):

	Pearls and jewellery 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	(70,551)	(38,302)
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	(69,711)	(38,059)
Income tax (expenses)/credit	(2,597)	17,792	15,195
Segment profit/(loss) for the year	29,055	(51,919)	(22,864)
As at 31 March 2010 (restated)			
Balance sheet items			
Total segment assets	533,734	1,452,932	1,986,666
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	738,501	829,480
Other information:			
Depreciation	(6,955)	(1,931)	(8,886)
Amortisation	—	(450)	(450)
Decrease in fair values of investment properties and investment properties under construction	—	(5,323)	(5,323)
Gain on disposals of investment properties	—	10,799	10,799
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)

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

	2011 HK$'000	2010 HK$'000 (restated)
Total profit/(loss) before income tax for reportable segments	**88,731**	(38,059)
Fair value change in financial assets at fair value through profit or loss	**6,643**	6,166
Dividend income	**1,468**	653
Share options expenses	**(2,360)**	(5,411)
Corporate finance income	**2**	44
Corporate expenses	**(2,058)**	(2,950)
Profit/(Loss) before income tax of the Group	**92,426**	(39,557)

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

	2011 HK$'000	2010 HK$'000 (restated)
Total for reportable segments	**2,043,463**	1,986,666
Unallocated:		
Corporate assets	**34,535**	39,107
Financial assets at fair value through profit or loss	**30,540**	49,194
Total assets of the Group	**2,108,538**	2,074,967

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

	2011 HK$'000	2010 HK$'000 (restated)
Total for reportable segments	**750,636**	829,480
Unallocated:		
Corporate liabilities	**353**	354
Current income tax liabilities	**534**	827
Total liabilities of the Group	**751,523**	830,661

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$17,492,000 (2010: HK$13,995,000) and HK$384,362,000 (2010: HK$325,384,000) respectively.

8. Segment Information (Continued)

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

	2011 **HK$'000**	2010 HK$'000
Europe	**149,987**	156,922
Mainland China (excluding Hong Kong)	**115,669**	76,345
Hong Kong	**17,492**	13,995
North America	**72,697**	47,082
Other Asian countries	**38,415**	33,949
Others	**7,594**	11,086
	401,854	339,379

The total 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$183,159,000 (2010: HK$165,985,000) and HK$851,599,000 (2010: HK$849,801,000) respectively.

Revenues of approximately HK$55,971,000 (2010: HK$58,010,000) are derived from a single external customer. These revenues are attributable to the Pearls and Jewellery Segment.

9. Other Income

	2011 **HK$'000**	2010 HK$'000
Dividend income from financial assets at fair value through profit or loss	**1,468**	653

10. Other Gains — Net

	2011 **HK$'000**	2010 HK$'000 (restated)
Exchange losses	**(536)**	(1,044)
Fair value change in financial assets at fair value through profit or loss	**6,643**	6,166
Gain on disposals of investment properties	**23,830**	10,799
(Loss)/Gain on disposals of property, plant and equipment	**(1,161)**	4
Loss on impairment of properties under development	**—**	(591)
Others	**7,267**	789
	36,043	16,123

11. Expenses by Nature

	2011	2010
	HK$'000	HK$'000
		(restated)
Costs of inventories and completed properties for sales	**238,312**	242,034
Employee benefit expenses (including Directors' emoluments) (note 12)	**74,528**	71,482
Auditor's remuneration		
— Provision for current year	**1,186**	1,420
— Under-provision in prior year	**—**	59
Depreciation of property, plant and equipment	**9,409**	8,886
Amortisation of prepaid lease payments	**2,318**	450
Provision for impairment of trade and other receivables	**4,215**	10,639
Reversal of provision for inventory obsolescence	**(16,300)**	(2,370)
Operating lease rental on rented premises	**10,355**	17,462
Others	**45,375**	40,614
Total cost of sales, selling and administrative expenses	**369,398**	390,676

12. Employee Benefit Expenses (Including Directors' Emoluments)

	2011	2010
	HK$'000	HK$'000
Salaries, wages and other benefits	**69,528**	63,843
Pension costs-defined contribution plans and social security costs	**2,640**	2,228
Share options expenses	**2,360**	5,411
	74,528	71,482

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 2011

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	—	2,700	—	12	1,350	—	4,062
Mr. Cheng Tai Po	—	3,600	—	12	706	—	4,318
Ms. Yan Sau Man, Amy	—	1,800	1,200	12	—	570	3,582
Mr. Lee Kang Bor, Thomas	—	3,071	—	12	—	1,261	4,344
Mr. Fung Yat Sang	220	—	—	—	—	—	220
Mr. Lau Chi Wah, Alex	200	—	—	—	—	—	200
Mr. Kiu Wai Ming	220	—	—	—	—	—	220
	640	11,171	1,200	48	2,056	1,831	16,946

(b) 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	—	2,700	—	12	1,645	—	4,357
Mr. Cheng Tai Po	—	3,600	—	12	662	—	4,274
Ms. Yan Sau Man, Amy	—	1,800	1,200	12	—	1,083	4,095
Ms. Hung Yuen Yee, Flavia	—	710	—	5	—	—	715
Mr. Lee Kang Bor, Thomas	71	1,742	—	7	—	981	2,801
Mr. Fung Yat Sang	99	—	—	—	—	—	99
Mr. Lau Chi Wah, Alex	150	—	—	—	—	—	150
Mr. Kiu Wai Ming	170	—	—	—	—	—	170
	490	10,552	1,200	48	2,307	2,064	16,661

Notes:

(a) Other benefits consist of approximate ratable value and rent of the properties for accommodation and other related expenses.

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 (2010: four) Directors of the Company whose emoluments are set out in note 13(a) above. The emoluments of the remaining one (2010: one) individual is as follows:

	2011	2010
	HK$'000	HK$'000
Salaries, wages and other benefits	**2,500**	2,150
Pension costs-defined contribution plans and social security costs	**12**	12
Share options benefit	**265**	638
	2,777	2,800

During the year ended 31 March 2011, 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 (2010: Nil). In addition, during the year ended 31 March 2011, no Director waived any emoluments (2010: Nil).

14. Income Tax Expense/(Credit)

	2011	2010
	HK$'000	HK$'000
		(restated)
Current income tax:		
Hong Kong profits tax	**2,606**	1,894
PRC enterprise income tax	**15,908**	10,987
PRC land appreciation tax	**11,844**	—
	30,358	12,881
Over-provision in prior year:		
Hong Kong profits tax	**(297)**	(426)
PRC land appreciation tax	**—**	(526)
	(297)	(952)
Deferred income tax:		
Net credit to current year	**(2,694)**	(26,740)
Attributable to change in tax rate	**1,151**	442
	(1,543)	(26,298)
	28,518	(14,369)

14. Income Tax Expense/(Credit) (Continued)

Hong Kong profits tax has been provided at a rate of 16.5% (2010: 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 expense/(credit) for the year can be reconciled to the profit/(loss) before income tax as follows:

	2011 **HK$'000**	2010 HK$'000 (restated)
Profit/(Loss) before income tax	**92,426**	(39,557)
Tax calculated at domestic income tax rate of 16.5% (2010: 16.5%)	**15,250**	(6,527)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,959**	(7,597)
Tax effect of:		
Land appreciation tax	**(2,961)**	131
Changes in tax rate	**1,151**	442
Expenses that are not deductible for tax purpose	**1,623**	958
Income not subject to tax	**(3,989)**	(1,668)
Utilisation of tax loss not previously recognised	**(105)**	(564)
Temporary difference not recognised	**536**	365
Recognition of temporary difference not previously recognised	**1,161**	780
Tax loss for which no deferred income tax asset was recognised	**6**	91
Over-provision in prior year	**(297)**	(426)
Others	**340**	172
	16,674	(13,843)
Land appreciation tax	**11,844**	(526)
Income tax expense/(credit) for the year	**28,518**	(14,369)

15. Profit Attributable to Equity Holders of The Company

The consolidated profit attributable to equity holders of the Company includes a loss of HK$2,989,000 (2010: profit of HK$841,000) which has been dealt with in the financial statements of the Company.

16. Earnings Per Share

The calculation of the basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of approximately HK$54,753,000 (2010 restated: HK$13,086,000) and the weighted average number of 1,226,641,000 (2010: 1,224,825,000) 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$54,753,000 (2010 restated: HK$13,086,000) and 1,250,223,000 (2010: 1,243,306,000) ordinary shares, which represented the weighted average number of 1,226,641,000 (2010: 1,224,825,000) ordinary shares in issue during the year and the weighted average number of 23,582,000 (2010: 18,481,000) ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the year.

17. Dividend

	2011 **HK$'000**	2010 HK$'000
Final dividend — Nil (2010: Nil) per share	—	—
Interim dividend — Nil (2010: HK3.00 cents) per share	—	36,748
	—	36,748

The dividend paid during the year ended 31 March 2011 was Nil (2010: HK$36,748,000). The Board does not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: Nil).

18. Investment Properties

	The Group	
	2011	2010
	HK$'000	HK$'000
At fair value		
At beginning of the year	**762,865**	845,384
Exchange differences	**34,319**	—
Additions	**4,491**	—
Disposals	**(50,959)**	(12,807)
Transferred from investment properties under construction	**77,929**	69,442
Transferred to completed properties held for sale	**—**	(132,135)
Increase/(Decrease) in fair values	**18,612**	(7,019)
At end of the year	**847,257**	762,865

The Group's investment properties at 31 March 2011 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	
	2011	2010
	HK$'000	HK$'000
Land and buildings situated in Hong Kong and held under leases of over 50 years	**4,400**	3,000
Land and buildings situated in Hong Kong and held under leases of between 10 and 50 years	**93,300**	82,300
Land and buildings situated in the PRC and held under leases of between 10 and 50 years	**671,136**	677,565
Land and buildings situated in the PRC and held under leases of over 50 years	**78,421**	—
	847,257	762,865

19. Investment Properties under Construction

	The Group	
	2011	2010
	HK$'000	HK$'000
At fair value		
At beginning of the year	**133,679**	201,328
Exchange differences	**7,098**	—
Additions	**14,486**	21,382
Interest capitalised	**5,772**	7,064
Transferred to properties under development	**(21,365)**	(28,349)
Transferred to investment properties	**(77,929)**	(69,442)
Increase in fair values	**—**	1,696
At end of the year	**61,741**	133,679

The Group's investment properties under construction at 31 March 2011 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.

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Land and buildings situated in the PRC and held under leases of between 10 and 50 years	**21,725**	25,312
Land and buildings situated in the PRC and held under leases of over 50 years	**40,016**	108,367
	61,741	133,679

20. Properties under Development

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

	The Group	
	2011	2010
	HK$'000	HK$'000
At beginning of the year	**69,431**	—
Exchange differences	**3,687**	—
Additions	**17,026**	39,467
Interest capitalised	**1,127**	2,206
Transferred from investment properties under construction	**21,365**	28,349
Transferred to completed properties held for sale	**(75,925)**	—
Provision for impairment losses	**—**	(591)
At end of the year	**36,711**	69,431

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Land and buildings situated in the PRC and held under leases of between 10 and 50 years	**14,401**	—
Land and buildings situated in the PRC and held under leases of over 50 years	**22,310**	69,431
	36,711	69,431

21. Property, Plant and Equipment

	Leasehold land and 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 2009, as previously reported	24,988	14,469	25,713	8,268	6,911	80,349
Effect of adoption of HKAS 17 (Amendment)	46,180	—	—	—	—	46,180
At 1 April 2009, as restated	71,168	14,469	25,713	8,268	6,911	126,529
Additions	—	1,935	2,753	562	—	5,250
Disposals	—	—	—	(23)	—	(23)
Increase in fair values	25,002	—	—	—	—	25,002
At 31 March 2010	96,170	16,404	28,466	8,807	6,911	156,758
At 1 April 2010, as previously reported	29,320	16,404	28,466	8,807	6,911	89,908
Effect of adoption of HKAS 17 (Amendment)	66,850	—	—	—	—	66,850
At 1 April 2010, as restated	96,170	16,404	28,466	8,807	6,911	156,758
Exchange differences	1,373	456	564	228	278	2,899
Additions	—	53	1,997	158	1,514	3,722
Disposals	—	(1,935)	(42)	(67)	(467)	(2,511)
Increase in fair values	9,815	—	—	—	—	9,815
At 31 March 2011	**107,358**	**14,978**	**30,985**	**9,126**	**8,236**	**170,683**
Comprising:						
At cost — 31 March 2011	—	14,978	30,985	9,126	8,236	63,325
At valuation — 31 March 2011	107,358	—	—	—	—	107,358
	107,358	**14,978**	**30,985**	**9,126**	**8,236**	**170,683**
At cost, as restated — 31 March 2010	—	16,404	28,466	8,807	6,911	60,588
At valuation, as restated — 31 March 2010	96,170	—	—	—	—	96,170
	96,170	16,404	28,466	8,807	6,911	156,758
Accumulated depreciation						
At 1 April 2009	978	8,532	20,372	6,287	4,022	40,191
Depreciation charge	1,931	2,222	2,303	932	1,498	8,886
Eliminated on disposals	—	—	—	(22)	—	(22)
Eliminated on revaluation	(2,909)	—	—	—	—	(2,909)
At 31 March 2010	—	10,754	22,675	7,197	5,520	46,146
Exchange differences	18	438	551	212	221	1,440
Depreciation charge	2,819	2,378	2,400	809	1,003	9,409
Eliminated on disposals	—	(645)	(42)	(67)	(457)	(1,211)
Eliminated on revaluation	(2,837)	—	—	—	—	(2,837)
At 31 March 2011	**—**	**12,925**	**25,584**	**8,151**	**6,287**	**52,947**
Net book value						
At 31 March 2011	**107,358**	**2,053**	**5,401**	**975**	**1,949**	**117,736**
At 31 March 2010	96,170	5,650	5,791	1,610	1,391	110,612

21. Property, Plant and Equipment (Continued)

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

	The Group		
	31 March 2011	31 March 2010	1 April 2009
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
Leasehold land and buildings situated in Hong Kong and held under leases of between 10 and 50 years	**78,500**	70,370	49,940
Buildings situated in the PRC and held under leases of between 10 and 50 years	**28,858**	25,800	20,250
	107,358	96,170	70,190

The Group's leasehold land and buildings at 31 March 2011 were revalued by BMI Appraisals Limited, which is an independent firm of professional property valuers, on market value basis, at HK$107,358,000 (2010 restated: HK$96,170,000). The valuations were arrived at by reference to comparable market transactions. The increase in fair values arising from revaluation of the land and buildings of HK$12,652,000 (2010 restated: HK$27,911,000) has been credited to the property revaluation reserve.

If the leasehold land and 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$51,254,000 (2010 restated: HK$51,652,000).

22. Prepaid Lease Payments

	The Group		
	31 March 2011	31 March 2010	1 April 2009
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
Prepaid land lease payments (Note a)	**223**	231	239
Other prepaid lease payments (Note b)	**7,801**	8,399	—
	8,024	8,630	239

	The Group	
	2011	2010
	HK$'000	HK$'000
		(restated)
At beginning of the year, as previously reported	**35,461**	27,776
Effect of adoption of HKAS17 (Amendment)	**(26,831)**	(27,537)
At beginning of the year, as restated	**8,630**	239
Exchange differences	**366**	—
Additions	**1,346**	8,841
Amortisation	**(2,318)**	(450)
At end of the year	**8,024**	8,630

	The Group		
	31 March 2011	31 March 2010	1 April 2009
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
The net book values of prepaid land lease payments are analysed as follows: Situated in the PRC held under leases of between 10 and 50 years	**223**	231	239

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. Amortisation expense has been charged to cost of sales.

23. Investment in an Associate

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 April	**100**	52
Exchange differences	**6**	—
Share of profit of an associate	**15**	48
At 31 March	**121**	100
Current liabilities:		
Amount due to an associate (Note a)	**1,492**	1,530

Note:

(a) The amount due to an associate is interest free, unsecured and has no fixed repayment terms. The carrying amount approximates its fair value and is denominated in RMB.

Unaudited financial information of the associate for the years ended 31 March 2011 and 2010 was summarised as follows:

	2011	2010
	HK$'000	HK$'000
Assets	**2,729**	2,205
Liabilities	**(2,124)**	(1,705)
Equity	**605**	500

	2011	2010
	HK$'000	HK$'000
Revenue	**2,123**	1,715
Profit for the year	**76**	238

23. Investment in an Associate (Continued)

At 31 March 2011 and 2010, the Group's investment in an associate is as follows:

Name of Company	Place of establishment/ operations	Registered capital	Proportion of ownership interest	Principal activity
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 RMB500,000	20%	Property management

24. Investments in Subsidiaries

	The Company	
	2011	2010
	HK$'000	HK$'000
Non-current assets:		
Unlisted shares, at cost	**210,542**	210,012
Amounts due from subsidiaries	**233,049**	149,167
Current assets:		
Amounts due from subsidiaries	**94,424**	171,067

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 carrying amounts approximate their fair value and are denominated in HK$.

The current amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. The carrying amounts approximate their fair value and are denominated in HK$.

Details of the Company's subsidiaries at 31 March 2011 are set out in note 44 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 2009	105,331	(909)	(307)	(1,372)	—	(551)	102,192
Effect of adoption of HKAS 17 (Amendment)	3,077	—	—	—	—	—	3,077
At 1 April 2009 (restated)	108,408	(909)	(307)	(1,372)	—	(551)	105,269
Exchange differences	25	—	—	—	—	—	25
Net charge/(credit) to consolidated income statement	(9,329)	(147)	88	(881)	(15,582)	(447)	(26,298)
Net charge to other comprehensive income	5,021	—	—	—	—	—	5,021
At 31 March 2010 (restated)	104,125	(1,056)	(219)	(2,253)	(15,582)	(998)	84,017
Exchange differences	3,485	(16)	—	—	(995)	(31)	2,443
Net charge/(credit) to consolidated income statement	2,845	142	193	210	(4,753)	(180)	(1,543)
Net charge to other comprehensive income	2,140	—	—	—	—	—	2,140
At 31 March 2011	**112,595**	**(930)**	**(26)**	**(2,043)**	**(21,330)**	**(1,209)**	**87,057**
The Company							
At 1 April 2009	—	—	(9)	—	—	—	(9)
Net charge to income statement	—	—	9	—	—	—	9
At 31 March 2010 and 31 March 2011	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Note:

(a) As explained in note 2(m), during the years ended 31 March 2011 and 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, 'Income Taxes'. The following is the analysis of the deferred income taxation for financial reporting purposes:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		
Deferred income tax liabilities	**88,183**	85,306	**—**	—
Deferred income tax assets	**(1,126)**	(1,289)	**—**	—
	87,057	84,017	**—**	—

At 31 March 2011, the Group has unused tax losses of HK$14,232,000 (2010: HK$16,041,000) available for offsetting against future profits, and a deferred income tax asset has been recognised in respect of HK$154,000 (2010: HK$1,326,000) of such losses. No deferred income tax asset has been recognised in respect to the total of HK$14,078,000 (2010: HK$14,715,000) due to unpredictability of future profit streams. These tax losses mainly arised from Hong Kong companies and may be carried forward indefinitely.

At 31 March 2011, the Group also has deductible temporary differences of HK$11,838,000 (2010: HK$13,191,000) attributable to unrealised profit in inventories. A deferred income tax asset has been recognised in respect of such deductible temporary differences.

At 31 March 2011, deferred income tax liabilities of HK$2,459,000 (2010: HK$599,000) 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$49,188,000 as at 31 March 2011 (2010: HK$11,989,000).

26. Inventories

	The Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**17,896**	16,706
Work in progress	**20,743**	18,313
Finished goods	**13,465**	16,627
	52,104	51,646

During the year, the Group reversed provision for inventory obsolescence of HK$16,300,000 (2010: HK$2,370,000). Such reversal has been included in cost of sales in the consolidated income statement.

27. Completed Properties held for Sale

The Group's interests in completed properties held for sale at their net book values are analysed as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Land and buildings situated in the PRC and held under leases of between 10 and 50 years	**186,605**	202,073
Land and buildings situated in the PRC and held under leases of over 50 years	**20,138**	—
	206,743	202,073

28. Trade and Other Receivables

	2011	2010
	HK$'000	HK$'000
Trade receivables	**107,598**	116,998
Less: provision for impairment of trade receivables	**(60,002)**	(54,709)
Trade receivables — net	**47,596**	62,289
Deposits, prepayments and other receivables	**87,239**	99,217
	134,835	161,506

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.

28. Trade and Other Receivables (Continued)

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

	2011 HK$'000	2010 HK$'000
Renminbi	**82,183**	89,721
United States dollars	**46,067**	62,591
Hong Kong dollars	**6,578**	9,048
Others	**7**	146
	134,835	161,506

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:

	2011 HK$'000	2010 HK$'000
At beginning of the year	**54,709**	44,196
Exchange differences	**1,322**	—
Provision for impairment losses	**4,215**	10,639
Amounts written off as uncollectible	**(244)**	(126)
At end of the year	**60,002**	54,709

Included in trade and other receivables of the Group are trade receivables of HK$107,598,000 (2010: HK$116,998,000) and their ageing analysis is as follows:

	2011 HK$'000	2010 HK$'000
Not past due	**23,122**	21,349
1 to 60 days past due	**20,789**	37,465
61 to 120 days past due	**7,844**	10,008
More than 120 days past due	**55,843**	48,176
	107,598	116,998

28. Trade and Other Receivables (Continued)

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 2011, trade receivables of HK$31,053,000 (2010: HK$46,704,000) 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:

	2011	2010
	HK$'000	HK$'000
1 to 60 days past due	**20,484**	34,590
61 to 120 days past due	**5,872**	2,700
More than 120 days past due	**4,697**	9,414
	31,053	46,704

As of 31 March 2011, trade receivables of HK$60,002,000 (2010: HK$54,709,000) 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:

	2011	2010
	HK$'000	HK$'000
Not past due	**6,579**	5,764
1 to 60 days past due	**305**	2,875
61 to 120 days past due	**1,972**	7,308
More than 120 days past due	**51,146**	38,762
	60,002	54,709

29. Financial Assets at Fair Value through Profit or Loss

	The Group		**The Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trading securities, at market value:				
Listed equity investments in Hong Kong	**30,540**	49,194	**2,119**	6,916

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank balances and cash	**207,445**	236,782	**3,508**	5,990
Time deposits	**399,361**	264,759	**—**	—
	606,806	501,541	**3,508**	5,990

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		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**77,720**	84,342	**—**	—
United States dollars	**295,811**	208,318	**7**	39
Hong Kong dollars	**231,291**	206,208	**3,501**	5,951
Others	**1,984**	2,673	**—**	—
	606,806	501,541	**3,508**	5,990

Our time deposit periods approximately range from 1 month to 2 months and the deposits carry interest at short-term deposit rates of below 1% (2010: 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

	2011 HK$'000	2010 HK$'000
Trade payables	**91,606**	111,164
Loans from minority shareholders (Note a)	**114,696**	114,700
Advance receipts from customers	**79,469**	92,967
Other accruals and other payables	**177,271**	169,944
	463,042	488,775

Note:

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

The ageing analysis of trade payables is as follows:

	2011 HK$'000	2010 HK$'000
0 to 60 days past due	**89,172**	103,923
61 to 120 days past due	**369**	5,748
More than 120 days past due	**2,065**	1,493
	91,606	111,164

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:

	2011 HK$'000	2010 HK$'000
Renminbi	**312,003**	341,789
United States dollars	**16,572**	14,191
Hong Kong dollars	**134,151**	132,778
Others	**316**	17
	463,042	488,775

32. Bank Borrowings

	The Group	
	2011	2010
	HK$'000	HK$'000
Secured bank loans	**95,200**	180,797

The maturity of the above borrowings is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within 1 year	**23,800**	158,197
More than 1 year but not exceeding 2 years	**—**	—
More than 2 years but not exceeding 5 years	**71,400**	22,600
	95,200	180,797
Deduct: Amount due within 1 year shown under current liabilities	**(23,800)**	(158,197)
Amount due after 1 year	**71,400**	22,600

The carrying amount of bank borrowings approximates its fair value. All bank borrowings are denominated in RMB and carried at interest rates ranging from 5.3% to 6.3% (2010: 4.8% to 6.1%) per annum.

33. Share Capital

	Number of shares		Share capital	
	2011	2010	**2011**	2010
	'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	**1,224,940**	1,224,740	**122,494**	122,474
Issue of new shares upon exercise of share options	**2,150**	200	**215**	20
At end of the year	**1,227,090**	1,224,940	**122,709**	122,494

All the shares which were issued during the year ended 31 March 2011 and 2010 rank pari passu with the then existing shares in all aspects.

34. 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 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.

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.

34. 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 HK$	Outstanding at 31 March 2009	Granted	Exercised	Lapsed	Outstanding at 31 March 2010	Exercised	Lapsed	Outstanding at 31 March 2011	Note
Directors											
2 May 2006	2 May 2006 to 1 May 2012	0.253	12,000,000	—	—	—	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	—	—	8,000,000	(1), (2)
1 September 2009	1 September 2009 to 31 August 2012	0.450	—	10,000,000	—	—	10,000,000	—	(5,000,000)	5,000,000	(1), (3)
			12,000,000	18,000,000	—	—	30,000,000	—	(5,000,000)	25,000,000	
Employees											
2 May 2006	2 May 2006 to 1 May 2012	0.253	15,000,000	—	—	—	15,000,000	—	(5,000,000)	10,000,000	(1)
18 September 2006	18 September 2006 to 17 September 2011	0.233	7,000,000	—	—	—	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	—	—	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	(2,150,000)	(1,350,000)	16,550,000	(1), (4)
			27,000,000	20,750,000	(200,000)	(500,000)	47,050,000	(2,150,000)	(6,350,000)	38,550,000	
			39,000,000	38,750,000	(200,000)	(500,000)	77,050,000	(2,150,000)	(11,350,000)	63,550,000	
Weight average exercise price			HK$0.281				HK$0.351			HK$0.348	
Options vested			39,000,000				55,550,000			52,550,000	
Weighted average exercise price of options vested			HK$0.281				HK$0.318			HK$0.330	
Weighted average remaining contractual life			2.96 years				2.18 years			1.16 years	

During the year, the Company did not grant any share options (2010: 38,750,000 options) to Directors of the Company and employees of the Group under the share option scheme. During the year, 2,150,000 (2010: 200,000) options were exercised and 11,350,000 (2010: 500,000) options were lapsed. The weighted average closing price of the Company's shares immediately on the date which share options were exercised during the year was HK$0.51 (2010: HK$0.49).

34. 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 the share options as additional share capital and the Company will record the excess of the exercise price of the share options over 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.

(2) 2,500,000 options were vested on the date of grant, another 2,500,000 options were vested on the first anniversary of the date of grant and the remaining 3,000,000 options will be vested on the second anniversary of the date of grant.

(3) 5,000,000 options were lapsed as at 31 March 2011 and the remaining 5,000,000 options will be lapsed upon the expiry of 30 April 2011 exercisable period.

(4) 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.

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$2,360,000 (2010: HK$5,411,000) was recognised in the income statement in relation to share options granted by the Company.

35. Reserves — The Company

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
The Company					
At 1 April 2009	321,509	133,605	3,946	(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	38	—	(38)	—	—
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
Issue of new shares upon exercise of share options	639	—	—	—	639
Employee share option benefits	—	—	2,360	—	2,360
Loss for the year	—	—	—	(2,989)	(2,989)
Transferred to share premium upon exercise of share options	414	—	(414)	—	—
Transferred to retained profits upon lapse of share options	—	—	(1,742)	1,742	—
At 31 March 2011	**322,659**	**96,857**	**9,427**	**(8,004)**	**420,939**

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.

36. 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	
	2011	2010
	HK$'000	HK$'000
Pledged bank deposits	**—**	17,000
Investment properties	**235,405**	268,771
Completed properties held for sale	**6,767**	16,303
Leasehold land and buildings	**—**	26,031
Properties under development	**—**	11,856
Investment properties under construction	**—**	66,323
	242,172	406,284

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 2011 (2010: Nil).

37. Finance Income and Costs

	2011	2010
	HK$'000	HK$'000
Finance income		
Interest income on short-term bank deposits	**5,014**	1,859
Finance costs		
Interest expenses on bank borrowings	**(8,081)**	(10,890)
Amount capitalised on qualifying assets	**6,899**	9,270
	(1,182)	(1,620)
Finance income — net	**3,832**	239

Interest expenses of HK$6,899,000 (2010: HK$9,270,000) on bank borrowings specifically borrowed for the construction of properties of the Group have been capitalised and are disclosed in the notes of relevant properties. The Group has capitalised all the interest expenses incurred on these borrowings.

38. Capital Commitment

	The Group	
	2011	2010
	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	**89,611**	32,110

The Company did not have any significant capital commitments as at 31 March 2011 (2010: Nil).

39. Operating Lease Arrangements

The Group as lessee

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Operating leases which expire:		
Within one year	**10,352**	8,517
In the second to fifth year inclusive	**18,712**	1,887
	29,064	10,404

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

The Group as lessor

Property rental income earned during the year was HK$31,321,000 (2010: HK$26,120,000). The investment properties leased 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	
	2011	2010
	HK$'000	HK$'000
Within one year	**27,177**	24,811
In the second to fifth year inclusive	**6,181**	9,472
	33,358	34,283

40. Contingent Liabilities

During financial year 2011, 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 2011 (2010: 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 City 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 2011, the Group has maximum exposure on the guarantees of HK$88,429,000 (2010: HK$51,000,000). 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 2011 (2010: Nil).

41. 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 2010. Although it is not possible to predict with certainty at the moment the outcome of these unresolved legal actions or pending claim or the amount of possible loss or recovery, the Directors do not believe that the resolution of these matters will have a material adverse effect on the Group's financial position or operating results.

42. Related Party Transactions

(a) Key management compensation

	2011	2010
	HK$'000	HK$'000
Salaries, wages and other benefits	**16,467**	16,699
Pension costs-defined contribution plans and social security costs	**60**	60
Share options benefit	**2,096**	2,702
	18,623	19,461

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

		2011	2010
Related party relationship	**Nature of transaction**	**HK$'000**	HK$'000
An entity which is significantly influenced by a key management personnel of the Company	Reimbursement of rental charges paid on behalf	**1,884**	1,899

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

43. Retirement Benefits Schemes

The Group participates in a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees. The 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$2,640,000 (2010: HK$2,228,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

44. Particulars of Subsidiaries

Particulars of the Company's subsidiaries at 31 March 2011 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 jewellery 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. (note 3)	PRC	Registered capital HK$29,600,000	100%	Purchasing and processing of pearls and assembling of pearl jewellery and property investment

44. 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 China Investment Ltd.	British Virgin Islands	Ordinary shares US$1	100%	Inactive
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	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

44. 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
New Tongluowan Holdings Limited	Hong Kong	Ordinary shares HK$1	100%	Inactive
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) (deregistered on 30 June 2010)	PRC	Registered capital US$10,000,000	55%	Inactive
諸暨市珠鄉旅行社有限公司 (note 3) (incorporated on 30 January 2011)	PRC	Registered capital RMB$500,000	100%	Travel agency

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., Zhuji Five Continents Enterprise Limited and 諸暨市珠鄉旅行社有限公司 were registered in the PRC as foreign wholly owned investment enterprises.

Five-year Financial Summary

Results

	For the year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
Revenue	**401,854**	339,379	359,734	640,493	402,504
Profit/(Loss) before income tax	**92,426**	(39,557)	(189,533)	590,204	66,793
Income tax (expense)/credit	**(28,518)**	14,369	51,396	(186,844)	(7,149)
Profit/(Loss) for the year	**63,908**	(25,188)	(138,137)	403,360	59,644
Proposed final dividends	**—**	—	—	36,742	30,112
Profit/(Loss) attributable to:					
Equity holders of the Company	**54,753**	13,086	(75,529)	232,106	59,644
Non-controlling interests	**9,155**	(38,274)	(62,608)	171,254	—
	63,908	(25,188)	(138,137)	403,360	59,644

Assets and Liabilities

	At 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
Total assets	**2,108,538**	2,074,967	2,083,319	2,335,092	760,693
Total liabilities	**751,523**	830,661	805,332	890,252	72,560
Non-controlling interests	**131,603**	110,425	148,693	204,368	—
Equity attributable to equity holders of the Company	**1,225,412**	1,133,881	1,129,294	1,240,472	688,133

Major Properties

Below is a schedule of investment properties held by the Group in Hong Kong and the PRC as at 31 March 2011:

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 equal and undivided shares of and in the Remaining Portions of 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 27 September 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, Min Sheng Main Road, Gong Ming Zhen, Bao An District, Shenzhen, the PRC	The property has a total gross floor area of approximately 55,774.9 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 1 to 5 years.	100%
21 units of Market Centre of Phase I, in 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%
1,427 units of Market Centre of Phase I, Shanxiahu Town, Zhuji, Zhejiang Province, the PRC	The property has a total gross floor area of approximately 51,554.37 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 1 year.	55%
16 units of block 1 to 4 of factory buildings of Phase I, Shanxiahu Town, Zhuji, Zhejiang Province, the PRC	The property has a total gross floor area of approximately 33,746.03 square metres. The property has been granted for a land use term of 50 years from 31 December 2006 to 30 December 2056.	Factories The property is vacant and available for lease.	55%
103 units of composite building of Phase I, Shanxiahu Town, Zhuji, Zhejiang Province, the PRC	The property has a total gross floor area of approximately 21,847.91 square metres. The property has been granted for a land use term of 70 years from 31 October 2007 to 30 October 2077.	Commercial building 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