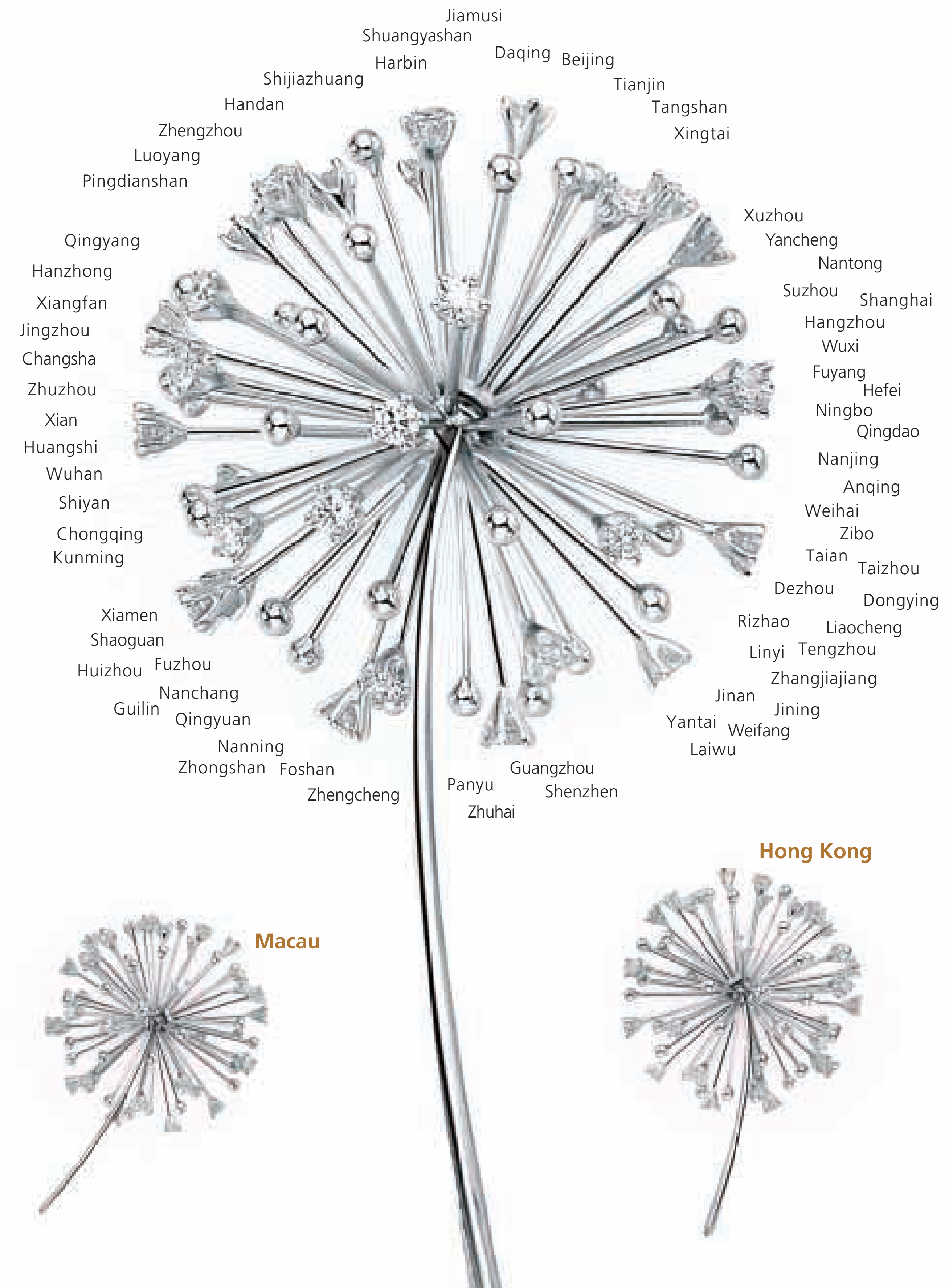
HANG FUNG GOLD TECHNOLOGY LIMITED
恒 豐 金 業 科 技 有 限 公 司

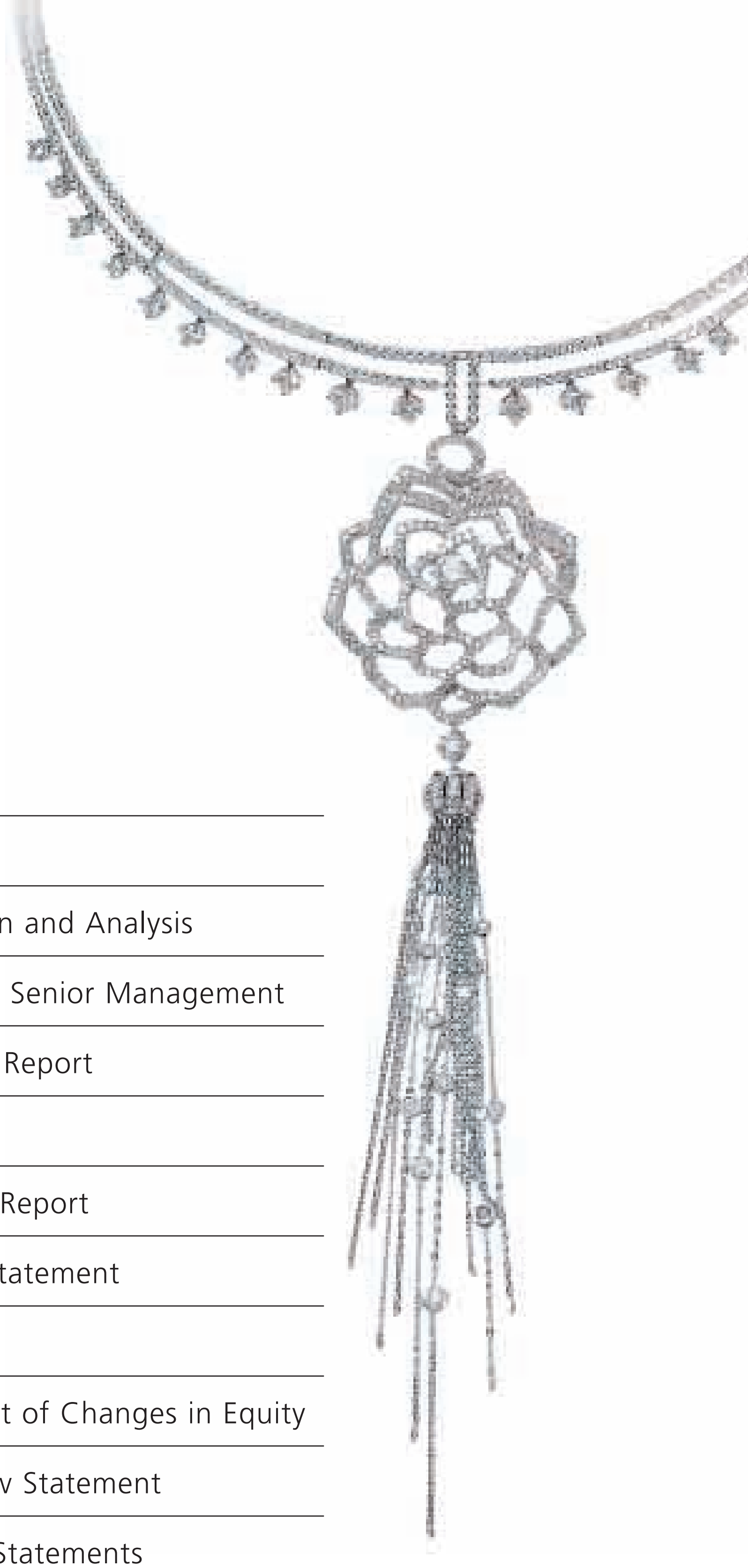
Annual Report 2008

Incorporated in Bermuda with limited liability

Stock Code : 870

Dedicated to retail business development in Mainland China





Contents

Financial Summary

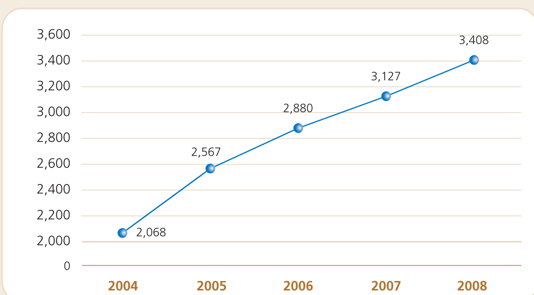
The following is a summary of the consolidated income statements and consolidated balance sheets of Hang Fung Gold Technology Limited (the "Company") and its subsidiaries (together the "Group"):

CONSOLIDATED INCOME STATEMENTS

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Turnover	**3,407,631**	3,127,026	2,880,037	2,566,742	2,067,608
Operating profit	**524,282**	240,110	187,910	139,303	84,584
Profit attributable to equity holders of the Company	**304,359**	83,739	129,607	106,822	61,965
Dividends	**83,719**	46,363	30,523	28,558	14,581

Turnover

HK$ million

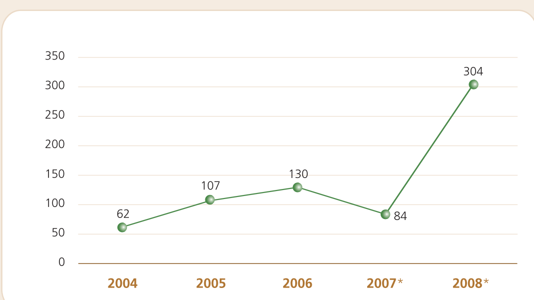


Operating profit

HK$ million

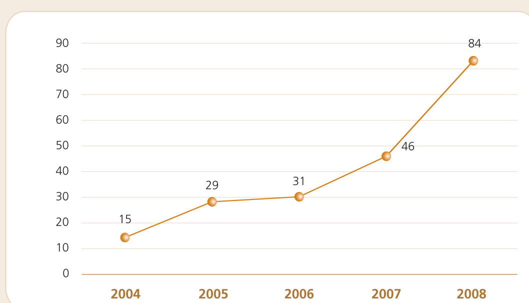
Profit attributable to equity holders of the Company

HK$ million



Dividends

HK$ million



* The profit attributable to equity holders of the Company in fiscal years 2007 & 2008 have included the fair value losses on derivative liability of convertible bonds.

Financial Summary

CONSOLIDATED BALANCE SHEETS

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Property, plant and equipment	**426,830**	840,110	727,734	513,052	412,204
Leasehold land	**5,484**	5,622	5,761	5,900	6,039
Investment property	**–**	–	–	1,680	1,320
Current assets	**4,132,176**	1,957,345	1,566,528	1,355,134	1,180,874
Current portion of long-term borrowings	**(32,060)**	(223,569)	(58,667)	(95,301)	(66,290)
Other current liabilities	**(1,391,218)**	(812,219)	(566,955)	(637,377)	(710,900)
Long-term borrowings	**(1,339,839)**	(285,117)	(504,529)	(275,444)	(61,575)
Deferred tax liabilities	**(26,558)**	(66,232)	(40,547)	(29,366)	(26,105)
Other non-current liabilities	**(54,967)**	(163,141)	(1,506)	(5,518)	(5,707)
Net assets	**1,719,848**	1,252,799	1,127,819	832,760	729,860
Capital and reserves attributable to the Company's equity holders:					
Share capital	**95,150**	81,826	76,307	56,079	56,079
Reserves	**1,624,698**	1,170,973	1,051,512	776,681	673,781
Total equity	**1,719,848**	1,252,799	1,127,819	832,760	729,860

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of Hang Fung Gold Technology Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2008.

Dr. Lam Sai Wing
Chairman

The fiscal year ended 31 March 2008 ("FY2008") was another year of encouraging results for the Group marked by the success of our focused strategy of expanding our retail business, especially in Mainland China. The network expansion initiative has solidified our market position as one of the main jewellery retailers in Hong Kong and Mainland China.

In FY2008, the Group achieved remarkable increase in retail sales turnover of Mainland China business and operating profit, along with satisfactory performance of wholesale and export businesses.

Chairman's Statement

HONG KONG PREMIER BRAND

HKQ-Mark Service Scheme

Hong Kong Q-Mark Product Scheme
T237-SZ T238-SZ
3D-GOLD Pure Gold & K-Gold Collection

IS09001:2000
Cert. No.:0089-2002

中 国 驰 名 商 标
CHINA WELL-KNOWN TRADEMARK

The Board of Directors has proposed a final dividend of HK4.0 cents per share and a special dividend of HK2.0 cents per share, subject to shareholders' approval at the forthcoming annual general meeting. Together with the interim dividend of HK2.8 cents, the total dividend for FY2008 will be HK8.8 cents (FY2007: HK5.5 cents).

The Mainland China's robust economy with its healthy GDP growth and increasing affluence, its booming retail sector and rising consumer spending power are market dynamics favourable to the Group's development. In particular, jewellery segment in Mainland China outperformed other sectors and recorded a prominent growth in both 2007 and 2008.

On the back of this positive growth momentum, we continued our expansion plan to enhance our network coverage. Our retail operations in Mainland China recorded remarkable growth as a result of our rapid network expansion and satisfactory same-store sales growth. The Group's retail network in Mainland China now spans over 70 cities and most of the stores are strategically located in premier shopping malls to capture the fast growing purchasing power and consumer's pursuit for higher quality jewellery.

Apart from the strategic expansion of self-owned stores in first and second tier cities, we carried out intensive franchising scheme to enhance our presence in third tier cities. Our franchising scheme has successfully captured the growing entrepreneurial ardour in Mainland China and rapidly expanded our foothold in the Mainland with relatively lower capital. The Group is rated as one of the quality franchisors in Mainland China that operate a quality scheme with key attributes required for success by reputable international financial institutions. This is a strong vote of confidence given we only accelerated our scheme since September 2007.

Chairman's Statement

Capitalizing on the Beijing 2008 Olympic Games opportunities, we have also opened new stores throughout the Olympic Games cities including Beijing, Shanghai, Tianjin and Qingdao.

Besides, our 3D-GOLD brand was accredited with the "China Well-known Trademark" by the Trademark Office, State Administration for Industry and Commerce, People's Republic of China, which has been a testimony to our brand awareness and recognition.

Our wholesale and export businesses recorded satisfactory growth during FY2008. The robust demand from customers in Mainland China and other emerging markets like Russia is a testament to our unique strength in innovative design and superior manufacturing expertise.

I believe the Group has reached a new stage where we are well positioned to embrace opportunities that the market has to offer. We are optimistic about the prospects of the gold and jewellery market in Mainland China which holds considerable growth potential for the Group.

We see our 3D-GOLD brand retailing business shall become the main driving force for our business growth. Along with our brand revamping program, we believe that the market position of the 3D-GOLD will be further enhanced in the market place. With our visionary strategy and execution of our comprehensive business plan, we shall carry on our strong momentum and bring satisfactory returns to shareholders of the Group.

Last but not least, I would like to take this opportunity, on behalf of the management team and fellow staff, to express my gratitude to our valuable shareholders for their continued support and confidence. I also extend my utmost appreciation to our fellow directors, staff and business partners for their efforts and dedication in working and bringing further success in the years to come.

Lam Sai Wing
Chairman

Hong Kong, 10 July 2008

Management Discussion and Analysis

RESULTS OVERVIEW

The fiscal year ended 31 March 2008 ("FY2008") recorded remarkable results amid a robust retail environment in Mainland China and the satisfactory growth of the Group's wholesales and export business. During the year under review, the Group's consolidated turnover posted a 9.0% growth to reach HK$3,407.63 million whilst operating profit surged 118.4% to HK$524.28 million. Profit attributable to shareholders increased significantly by 263.5% to HK$304.36 million (2007: HK$83.74 million). Excluding approximately HK$65.16 million in fair value losses on derivative liability of convertible bonds, net profit attributable to shareholders would have reached HK$369.52 million (2007: HK$129.68 million), representing an increase of 184.9% over 2007. Basic earnings per share was HK34.0 cents, as compared to HK10.8 cents in last fiscal year. Geographically, Mainland China and Hong Kong remained the major contributors to the growth in turnover, accounting for 93.9% of total sales.

After our substantial investment in brand promotion in prior years, "3D-GOLD" has been established as a well-recognised brand name and now the Group is able to maintain the promotion costs at a moderate level. In addition, through tighter control of expenses as well as consolidation of tourism business, selling and marketing costs decreased to 6.1% (2007: 13.7%) of total turnover. To support its expanding operations, the Group's administrative expenses increased slightly from 10.2% of total turnover in 2007 to 10.9% in the year. Finance costs, net increased from HK$112.99 million last year to HK$179.43 million, mainly attributable to the interest expense of senior notes issued in the year and the fair value losses on derivative liability of convertible bonds.

Other gains, net increased by HK$57.18 million from HK$0.93 million in fiscal year 2007 to HK$58.11 million in fiscal year 2008, which was primarily due to the disposal of approximately three tonnes of the gold exhibits in the first quarter of 2008 and such gain was partially offset by net loss on financial instruments which were used to hedge against the risk associated with the gold exhibits and inventories.

DIVIDENDS

The Board of Directors proposed to pay a final dividend of HK4.0 cents per share and a special dividend of HK2.0 cents per share for FY2008. Together with the interim dividend of HK2.8 cents, the total dividend for FY2008 will be HK8.8 cents (FY2007: HK5.5 cents). The final dividend and special dividend, subject to the approval by shareholders at the forthcoming annual general meeting, will be payable on or about 6 October 2008 to shareholders whose names appear on the Register of Member of the Company on 29 August 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 August 2008 to 29 August 2008, both days inclusive. In order to qualify for the proposed final dividend and special dividend and ascertaining the identity of members who are entitled to attend and vote at the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 pm on 25 August 2008.

BUSINESS REVIEW

RETAIL BUSINESS

During the year under review, the Group focused its effort on expanding its network coverage in Mainland China. In July 2008, our group's chain of 3D-GOLD stores reached around 200 outlets in the Mainland, Hong Kong and Macau.

Mainland Retail Business

The Mainland's buoyant economy and increasing affluence are driving domestic retail sector growth. The jewellery retail segment, in particular, registered a growth of approximately 42%[1]. The Group forged ahead with its network expansion and strengthened its foothold in the retail sector. During the year under review, the Group achieved relatively rapid network growth in Eastern and Southern China. In July 2008, the Group operated over 180 stores, spanning over 70 cities in Mainland China. Retail sales from our Mainland business recorded substantial increase in FY2008. The average size of our stores typically was approximately 50 square meters. Same store sales also recorded satisfactory growth of over 30% during FY2008, attributable to strong consumer spending power and our enhanced operational efficiency.

Most of our retail outlets are located in premier shopping malls in first and second tier cities to attract quality clientele and to capture the rising demand for high quality jewellery. To capitalize on the Beijing 2008 Olympic Games opportunities, the Group has also opened 9 additional outlets in the Olympic Games cities such as Beijing, Shanghai, Tianjin and Qingdao, making a total of 38 outlets in the Olympic Games Cities.

Besides self-owned stores, the Group also accelerated its franchising scheme during the reporting period with an aim to extend its presence in third tier cities. As of 30 June 2008, there were 30% 3D-GOLD stores operating under the Group's franchising scheme. It has proven to be very successful in capturing the growing entrepreneurial fervor and helping rapidly extend the Group's retail sales network with relatively lower capital in a short period of time. Our specialized team will assist our franchisees on start-up arrangements to ensure operational efficiency and consistency in terms of sales and brand images. More encouragingly, the Group is rated by reputable international financial institutions as one of the quality franchisors in Mainland China that

[1] Released by the National Bureau of Statistics of China on 28 February 2008

operates a quality franchise scheme with key attributes required for success. The Group provides full-fledge support including training, store location analysis, new store guidance consultancy service, exclusive jewellery merchandise supply, as well as operational management system.

Hong Kong and Macau Retail Business

In the reporting period, the group operated 13 stores in Hong Kong and 2 stores in Macau. Our Hong Kong stores continued to benefit from tourists and local consumers with their boosted spending power. In Macau, we now operate two outlets, one of which was opened during the reporting period, to further capture the opportunities brought by the city's flourishing tourism.

During the year, the Group also repositioned its tourism business. The different halls exhibiting the Gold Washroom and few other gold displays are being consolidated to operate under one exhibition hall. The tourism hall will remain as a showcase of the Group's innovative product technology and continue to play a part in promoting Hong Kong's tourism business and maintaining our brand image. During the period under review, the Group sold three tons of gold display items and the proceeds are being used to fuel the Group's retail business in the Mainland.

One of the new images of Kelly Chen in the latest advertisement

"Les fleurs" Diamond Collection

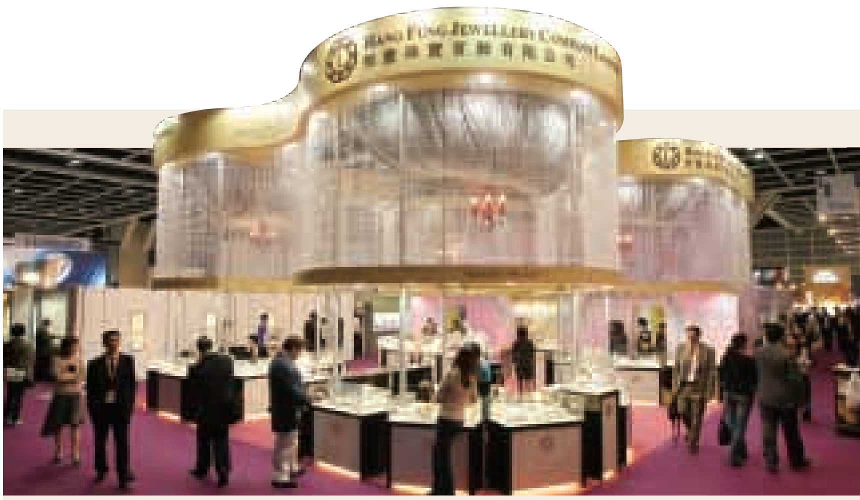
Kelly Chan presented the latest collection of fine gold jewellery – "Xi"

"HUG" Diamond Collection for Mother's Day

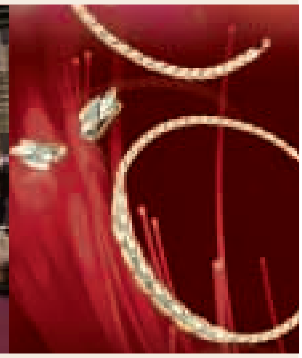
WHOLESALES AND EXPORT BUSINESS

During the year under review, the Group's wholesale and export business registered satisfactory growth. The solid and profitable business performance was mainly attributable to the increasing demand for jewellery in Mainland China. In particular, the Group's enhanced product portfolio with more sophisticated designs and advanced product development technologies have played a key role in attracting more orders from our Mainland OEM customers.

With a solid distribution network reaching US, Europe, South East Asia and Mainland China, the Group further expanded its business into other emerging markets such as Middle East, Russia, India and Turkey.



Hong Kong International Jewellery Show



"Stampato" Collection

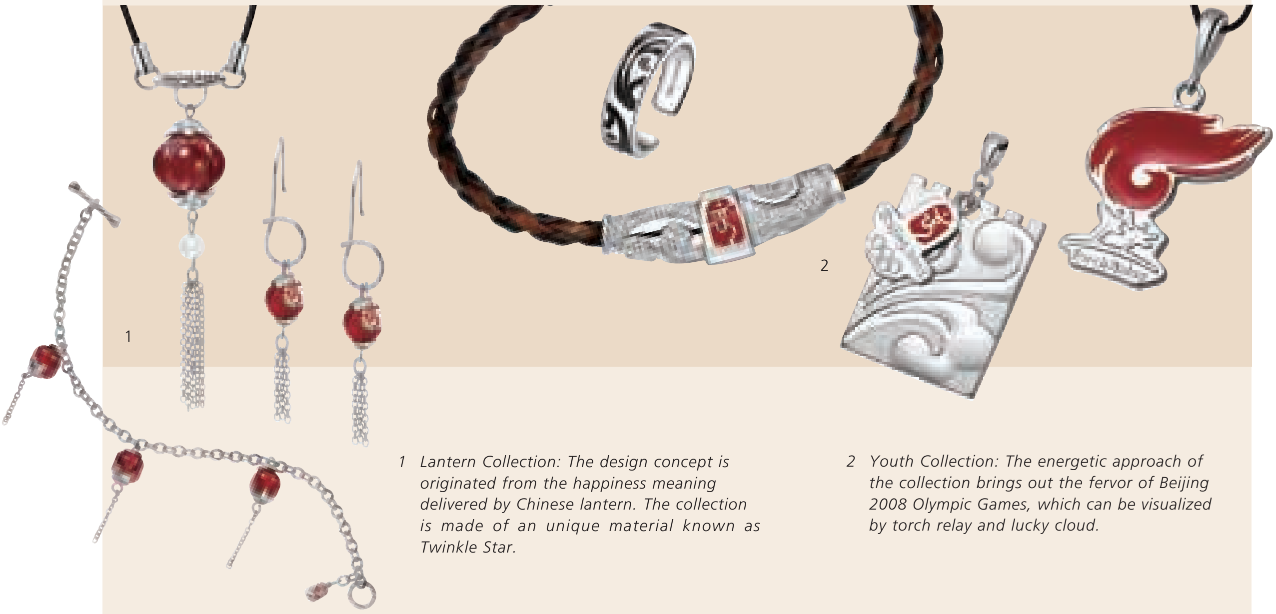
ENHANCING OUR BRAND IMAGE

During the year under review, the Group implemented effective marketing strategies to boost the 3D-GOLD's image. To achieve higher penetration and cost effectiveness, we targeted our marketing efforts to individual districts based on sales forecasts and existing sales performances. During the reporting period, the Group diversified its marketing channels through television commercials, print advertisements, promotional events, outdoor billboards, the internet and joint promotion with various bank credit cards. During the year, the Group also organized various events to enhance publicity. One of the events held was the fabulous jewellery catwalk party at 798 Art Zone in Beijing in February 2008 presented by Kelly Chen, the spokesperson of 3D-GOLD and top models. "3D-GOLD" has also achieved one of the highest ranking on brand awareness among the local jewellery brands according to a well recognized market survey, underscoring the success of our brand marketing efforts.

The Group has also established a Customer Relationship Program during the year under review with an aim to build and maintain a long-term relationship with its customers. Our marketing campaign was effective in establishing the premium positioning of 3D-GOLD in Mainland China and Hong Kong.

During the reporting period, in recognition of our excellence in jewellery design and manufacturing, the Group was authorized by the Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG) as one of the two licensed Hong Kong manufacturers and distributors of Beijing 2008 Olympic-themed jewellery products. The Group has launched a total of 5 Olympic-themed collections which are being sold in our "3D-GOLD" outlets. On top of the well-received Fuwa collection, the Group has launched the Chinese lantern collection and Youth collection with different materials such as fine gold, 925 silver and resin to enrich the consumers' selections.

In order to cater to the needs of different customers, the Group continuously introduced new products and innovative designs to capture both a larger market share and a broader customer segment. During the year under review, 3D-GOLD developed a signature collection of "Les Fleur" which received extraordinary market response and became one of the signature diamond items of the brand.



1 Lantern Collection: The design concept is originated from the happiness meaning delivered by Chinese lantern. The collection is made of an unique material known as Twinkle Star.

2 Youth Collection: The energetic approach of the collection brings out the fervor of Beijing 2008 Olympic Games, which can be visualized by torch relay and lucky cloud.

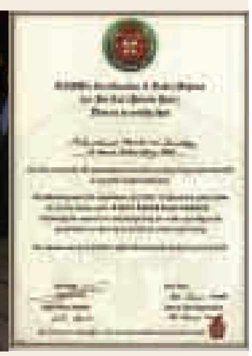
QUALITY ASSURANCE

Providing the best products and services to its customers has been competitive edge of the Group. The Group's commitment to quality excellence could be best demonstrated by continuous participation in the Q-Mark Product Scheme and Q-Mark Service Scheme organized by the Federation of Hong Kong Industries since 2003, and continuous receiving the ISO 9001:2000 international quality certification.

In order to assure the quality of all the precious stones used in its jewellery, the Group has set up an independent laboratory, the International Standard Jewellery & Gems Laboratory Limited to strictly monitor the quality of precious stones. Besides managing by internationally recognized gemologists, the laboratory is also equipped with professional apparatus which is of international standard in grading and analyzing the stones' quality. The Laboratory has been certified by the Germological Association of Hong Kong Limited (GAHK).

3D-GOLD Jewellery has been awarded the Hong Kong Q-Mark Service Scheme Certification for five consecutive years and was the first jewellery brand to be awarded the Hong Kong Q-Mark Product Scheme Certification

Dr. Lam Sai Wing, Chairman of the Group introduced the company products to Mr. John Tsang Chun-wah, Financial Secretary at The 30th Anniversary Celebration of the Hong Kong Q-Mark



The International Standard Jewellery & Gems Laboratory Limited set up by the Group has been certified by The Gemological Association of Hong Kong Limited (GAHK)

AWARDS AND ACHIEVEMENTS

During the reporting period, the Group continued its pursuit of quality service and incorporated its heritage of design excellence and distinct craftsmanship. The accreditation of the Group's trademark, "3D-GOLD" as a "China Well-known Trademark" and the winning of various leading jewellery design competitions in the year also marked the Group's success and high recognition in the market place. These awards not only added value to our products, but also served as a symbol of credibility and a guarantee of good quality to our customers and potential franchisees.

During the year under review, the Group's designs gained 25 jewellery designs awards in various leading competitions.

Tahitian Pearl Trophy Asia 2007
(Organized by PERLES DE TAHITI GIE)
Champion of the "Accessory" category – Galactic Cluster
Champion of the "Brooch" category – Screen of Rain
Champion of the "Special Prize" category – Galactic Spring
1st Runner-up of the "Pendant" category – Rhythm
1st Runner-up of the "Parure" category – Interspersion
1st Runner-up of the "Special Prize" category – Fountain Music
2nd Runner-up of the "Earrings" category – Eternal Music

Buyers' Favorite Jewelry Design Competition 2007
(Organized by Hong Kong Jewelry Manufacturers' Association)
Gold Prize of Brooch category – Freedom
Silver Prize of Brooch category – Daisy
Bronze Prize of Computer aided category – Melody Rain

Chuk Kam Jewellery Design Competition 2008
(Organized by Hong Kong Jewellers' & Goldsmiths' Association)
Open Group:
True Love Collection: "Harmony of Love" and "True Love"
Glory Collection: "Glory and Peace"
18K Gold with Chuk Kam Category:
18K Group: "Wave", "Glory", "Sprout" and "Splendor"
18K Gold with Other Materials Category:
18K Group: "Dancing Life"
Student Group:
"Happy Spring" and "Blessing"

The 9th Hong Kong Jewellery Design Competition
(Organized by Hong Kong Trade Development Council)
Merit Award of Open Group (5 contestants)

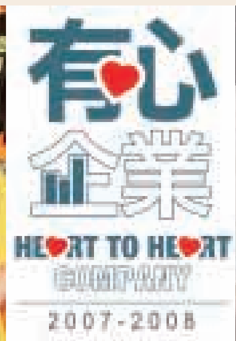
Management Discussion and Analysis

CORPORATE SOCIAL RESPONSIBILITIES

In addition to pursuing business expansion, the Group values its responsibilities to the society for collective and sustainable growth. In recognition of its continuous support and contribution to the Youth Volunteer Network of The Hong Kong Federation of Youth Groups by financing the "Heart to Heart Project", the Group and "3D-GOLD" brand were given "2007-2008 Heart to Heart Company" award during the reporting period.

During the year under review, the Group actively participated in fundraising activities. In September 2007, the Group launched a product promotion and donated partial revenue to Kelly Chen Children Education Fund. Donations were also made to Wai Yin Association for raising fund for the needy as well as tailor-making a jade brooch for charity auction. The Group also sponsored the East Asia Game 2009 and Bun Scrambling Competition of the Bun Carnival co-organized by The Hong Kong Cheung Chau Bun Festival Committee and the Leisure and Cultural Services Department during the reporting period.

Charity Sale for UNICEF in aiding the children suffering from the Sichuan earthquake



The Group is granted "Heart-to-Heart Company 2007-2008" in recognition of its contribution to the Youth Volunteer Network of The Hong Kong Federation of Youth Groups

The Bun Carnival 2008, co-organized by The Hong Kong Cheung Chau Bun Festival Committee and the Leisure and Cultural Services Department, sponsored by 3D-GOLD Jewellery

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

Senior Notes

In October 2007, the Group entered into a purchase agreement with HSBC in connection with the issuance and sale of US$170 million senior notes (approximately HK$1,326 million). The issuance of the senior notes was testimony to the Group's longer term financial management and to support its expansion plans in Mainland China.

The senior notes were issued at a fixed coupon of 9.25% per annum with a maturity of seven years and is callable after four years. Net proceeds were principally applied for refinancing the Group's existing short-term debt and financing the Group's retail expansion in Mainland China.

Banking Facilities

As at 31 March 2008, the Group maintained aggregate banking facilities of HK$884.13 million (2007: HK$1,265.13 million), of which HK$271.32 million (2007: HK$186.37 million) were unutilized. The Group finances its operations and business development primarily with internally generated cash flow and banking facilities, and the management believes it has sufficient funds to serve these purposes in the foreseeable future. Interest on bank borrowings is charged at commercial lending rates to the Group. Details of maturity of bank borrowings as at 31 March 2008 are set out in Notes 26 and 32 to the financial statements.

As at 31 March 2008, the Group's gearing ratio (ratio of aggregate borrowings less cash and cash equivalents and pledged bank deposits to equity) was 0.79 (2007: 0.75).

Certain assets of the Group had been pledged to banks for these banking facilities. Details are set out in Note 36 to the financial statements.

Convertible Bonds

The Company had entered into a Subscription Agreement with Goldman Sachs International in connection with the issuance by the Company of Convertible Bonds with an aggregate principal amount of HK$240 million for a term of 5 years due 2011 at a coupon rate of 3% per annum in fiscal year 2007. During the year ended 31 March 2008, bonds with face value of HK$130 million were converted into 114,436,615 ordinary shares of the Company at a conversion price of HK$1.136 per share. As a result of the aggregate conversion in the last two fiscal years, the total outstanding Convertible Bonds as at 31 March 2008 was HK$60 million in face value.

Sale Proceeds of Gold Exhibits

The Company has sold approximately three tonnes of its gold exhibits including a gold carriage and certain displays in the gold palace in the first quarter of 2008 with total proceeds of approximately HK$722.78 million. The proceeds were applied to finance the Group's continued expansion of the 3D-GOLD retail network in the Mainland China and for general working capital purposes.

Exchange Rate Exposure

The Group operates mainly in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar, Chinese Renminbi and Macao Patacas. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through net investment hedge.

Guarantees

As at 31 March 2008, the Company had given to banks and other financial institutions corporate guarantees of approximately HK$1,608.15 million (2007: HK$1,080.13 million) in respect of finance lease obligations and banking facilities granted to its subsidiaries.

INVESTOR RELATIONS

The Group values its relationship with investors. The Group took initiative during the reporting period to improve transparency of different aspects of its operations and maintained close relations with its stakeholders. Corporate information regarding the Group's latest development were published timely on company websites to keep the stakeholders and public up-to-date. During the year, the Group also cultivated close relationships with institutional investors by arranging one-on-one meetings and site visit. The Group also took part in some notable events such as UBS Greater China Conference, CLSA Hong Kong and London Consumer Access Day, Credit Suisse's Asia Investor Conference, to present to investors its business and its great potential in the fast growing consumer market in Mainland China.

EMPLOYMENT

As at 31 March 2008, the Group had over 2,300 employees. Staff members are remunerated according to industry and market standards, which will be reviewed annually. Apart from basic salary, the Group also provided a motivating remuneration package including commission, bonus and share option to motivate employees at all levels.

During the year, the Group also coordinated with various institutions to organize training programs for all levels of employees to enhance their competitiveness. Courses included those offered by Beijing Putonghua Institution, the Management and Executive Development Centre of Hong Kong Polytechnic University; as well as "The Practical Diamond Grading Program" launched by the School of Continual Education, Hong Kong Baptist University. Employees of gemmologists received the fellowship of the Gemmological Association of Hong Kong and achieved the qualification of Certified Gemmologist (Diamond) and Certified Gemmologist (Fei Cui).

BUSINESS OUTLOOK

Looking forward, the management of the Group is optimistic about the prospects of the gold and jewellery markets in Hong Kong and China, and the retail market momentum in both Hong Kong and China will continue to fuel the Group's retail business. To capture the huge business opportunities in the market of Mainland China, the Group will continue to strengthen its presence in Mainland China in the coming year by extending its retail network throughout the nation, with a focus in expanding the retail network in Bohai Region, Yangtze River Delta Region and Pan-Pearl River Delta Region in particular. Besides opening more new self-owned stores, the Group will also enhance its market presence in the third tier cities by franchising arrangements. The Group targets to expand its retail network to over 300 outlets in the Mainland by the first quarter of 2009. To further capture the business opportunities brought by the Beijing 2008 Olympic Games, the Group will further expand its distribution network of Olympic Licensed Products to our "3D-GOLD" outlets and our business partners such as bank. The management believes that the Olympic Licensing Project will enhance the reputation of the Group and increase brand awareness effectively.

The Group will also continue to implement management initiatives which aim at enhancing our single-store sales growth and efficiency. The store image revamp exercise in progress will not only enhance our brand equity and our competitiveness, but also raise customer satisfaction and loyalty.

Leveraging on the Group's strong market presence and its unique edge in exquisite designs and innovative technology, the Group believes that the wholesales and export businesses will continue to provide stable revenue and profits in the long term. Riding on its solid foundation in manufacturing business, the Group has endeavored to extend its reach into other emerging markets such as Middle East, Russia, Turkey and India, which provide growth opportunities.

Looking ahead, the Group would spare no effort to fortify its strengths. The Group aims to capture the business opportunities offered by the vast market and further enhance its presence in the marketplace.

Robust Performance of Retail Business
零售業務 活力表現

1. 3D-GOLD Jewllery launched its new advertisement image and jewellery catwalk show in 798 Art Zone Beijing, presented by Kelly Chen and models
   金至尊珠寶於北京798藝術區舉辦新形象發佈會，陳慧琳及模特兒展示全新廣告形象及珠寶首飾

2 & 3. The Group forged ahead with its network expansion and strengthened its foothold in the retail sector
集團積極進行業務擴張，穩固於零售市場的定位

2

3


4

5

6

4. Gala Premiere of movie "An Empress and The Warriors" sponsored by 3D-GOLD Jewellery
金至尊珠寶贊助電影「江山美人」北京首映禮

5. The brand has been recognized as the China Well-known Trademark by the Trademark Office, State Administration for Industry and Commerce, People's Republic of China which strengthened the protection of intellectual property.
「中國馳名商標」是中華人民共和國國家工商局對品牌認受性的一個肯定，亦鞏固對知識產權的維護。

6. In order to accelerate the franchise business, the Franchising Conference of 3D-GOLD Jewellery has been held in September, 2007 at Shenzhen, which has attracted potential business partners successfully
為積極推動特許加盟業務，2007年9月在深圳舉行「金至尊珠寶戰略合作夥伴洽談會」，成功吸納有潛質之加盟夥伴

Profile of Directors and Senior Management

Executive Directors

Dr. Lam Sai Wing, aged 52, is the Chairman of the Company and the founder of the Group. Dr. Lam, with over 29 years of experience in the jewellery industry, is responsible for the overall strategic planning and policy formulation of the Group. He was awarded the Young Industrialist Award, Bauhinia Cup Outstanding Entrepreneur Awards and the Medal of Honour (M.H.) by the Government of the Hong Kong Special Administrative Region.

Dr. Lam is the Executive Vice President of Hong Kong Young Industrialists Council, General Committee Member of Federation of Hong Kong Industries (Chairman of Jewellery Group 11), General Committee Member of Hong Kong Brand Development Council, the Honorary Chairman of Jewelry Industry Chamber of Commerce under Beijing Federation of Industry & Commerce and one of the Committee Members of the People's Political Consultative Conference of China Committee of HuNan.

Dr. Lam holds Doctor of Philosophy in Business Administration from Southern California University For Professional Studies, Master Degree of Science in Material Engineering of Yanshan University, Honorary Fellow of The Professional Validation Council of Hong Kong Industries and the Fellowship Awardees of Asian Knowledge Management Association. He is the Advisor of The Office for Chinese Management Development of City University of Hong Kong and Part-time Professor in the Department of Public Administration of Tianjin University.

Ms. Chan Yam Fai, Jane, aged 45, is the Deputy Chairman of the Company. She has over 25 years of experience in the jewellery industry and is responsible for merchandise management, retail and wholesale businesses of the Group.

Ms. Chan is the Committee Member and Executive Committee Member of The Chinese People's Political Consultative Conference of China Committee of ShanDong and JiNan respectively. She was appointed the Committee Member of Gems & Jewelry Trade Association of China and Youth Committee Member of All-China Federation of Returned Overseas Chinese. She is also the Executive Committee Member of the Hong Kong Jewelry Manufacturers' Association, Director of the Council of Management of Hong Kong Jewellery & Jade Manufacturers Association and General Committee Member of The Chinese Manufacturers' Association of Hong Kong.

Ms. Chan is a Fellow of The Professional Validation Council of Hong Kong Industries. She is the wife of Dr. Lam Sai Wing.

Profile of Directors and Senior Management

Ms. Ng Yee Mei, aged 45, is the Chief Executive Officer of the Group. Ms. Ng joined the Group in 1990 and is responsible for product and market development and the formulation of the sales and marketing strategies of the Group. She has 19 years of marketing and sales experience of which over 18 years have been in the jewellery industry. Ms. Ng holds a Bachelor's degree in Arts from the University of Guelph, Canada. Ms. Ng also holds a Diploma in Gemmology from The Gemmological Association And Gem Testing Laboratory of Great Britain and Diploma in Graduate Diamonds of Gemological Institute of America. She is now the Director of The Hong Kong Jewellers' & Goldsmiths' Association Ltd.

Mr. Yeung Hon Yuen, aged 48, is the Vice President of the Group. Mr. Yeung has over 27 years of experience in the jewellery industry and oversees the management of retail and manufacturing businesses of the Group. He is a member of the supervisory committee of The Hong Kong Jewellers' & Goldsmiths' Association Ltd.

Mr. Yeung is the Fellow of The Professional Validation Centre of Hong Kong Business Sector in 2008. He is the brother-in-law of Dr. Lam Sai Wing.

Mr. Kuang Hao Kun, Giovanni, aged 42, is the Vice President of Corporate Investment Department of the Group. Mr. Kuang joined the Group in 2002 and is responsible for the strategic planning of investment projects and coordinating investors' relation for the Group. Mr. Kuang holds a Bachelor's degree in Economics from the La Trobe University in Victoria, Australia, and he is an associate member of the CPA Australia. Mr. Kuang has 13 years of financial and managerial experience in Hong Kong's listing companies and the equity capital markets.

Non-executive Director

Mr. Wong Kwong Chi, aged 56, is the non-executive director of the Company. Mr. Wong is the Partner of Asian Global Capital and also sits on the boards of several Hong Kong listed companies. He has extensive experience in the capital investment market. Mr. Wong holds a Bachelor's degree in Science and a Master's degree in Business Administration from the Chinese University of Hong Kong. Mr. Wong served as the Chairman of Hong Kong Venture Capital and Private Equity Association, the Vice Chairman of The Hong Kong Electronic Industries Association, and the Vice President of Hong Kong Auto Parts Industry Association. He is now a Member of Financial Services Advisory Committee of Hong Kong Trade Development Council, Member of Hong Kong Young Industrialists Council and the President of Hong Kong Critical Components Manufacturers Association.

Independent Non-executive Directors

Mr. Lee Kok Keung, aged 62, is an independent non-executive director of the Company. Mr. Lee graduated from the former Hong Kong Baptist College (now reconstituted the Hong Kong Baptist University).

Between May 1979 to 1998, he began his distinguished journalist's career as the Chief Editor of the popular magazine "Wide Angle". Mr. Lee is the Chairman of the Board of Directors of Megateam Media International Limited. He is also the Convenor of Executive Committee of Hong Kong Culture Association Limited.

In March 1993, 1998, 2003 and 2008, Mr. Lee was appointed as a member of the Chinese People's Political Consultative Conference. Mr. Lee was also a member of the Selection Committee of the Hong Kong Special Administrative Region ("HKSAR") in November 1996, 2000 and 2006. He has also been elected as a member of the Election Committee of the HKSAR. In addition, Mr. Lee has been awarded the Bronze Bauhinia Star in the HKSAR 2002 Honours List. He has also been awarded Honourable Citizen in Shen Yang, China and Vice President of Henan Overseas Friendship Association.

Mr. Liu Ngai Wing, aged 58, is an independent non-executive director of the Company. Mr. Liu holds a Master Degree of Science in Global Business from the Chinese University of Hong Kong, a Master Degree of Science in Hotel and Tourism Management from the Hong Kong Polytechnic University and a Master Degree in Business Administration from the Open University of Hong Kong. Mr. Liu is an independent non-executive director of New Smart Energy Group Limited and Daiwa Associate Holdings Ltd. He is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Secretaries and Administrators, and is also a fellow member of the Association of Chartered Certified Accountants.

Dr. Lui Sun Wing, aged 57, is an independent non-executive director of the Company. Dr. Lui obtained a PhD in Mechanical Engineering from the Birmingham University of United Kingdom in 1979. He worked for the Hong Kong Productivity Council from 1981 to 2000, and was promoted to branch director in 1992, responsible for overseeing the materials and process branch. Dr. Lui joined The Hong Kong Polytechnic University as a vice president in 2000, and is now responsible for partnership development. Dr. Lui is also the chief executive officer of the Institute for Enterprise of the Hong Kong Polytechnic University, the PolyU Technology and Consultancy Co. Ltd. and the PolyU Enterprises Limited. Dr. Lui is currently a non-executive director of Eco-Tek Holdings Limited and an independent non-executive director of Leeport (Holdings) Limited, EVA Precision Industrial Holdings Limited and Smart Union Group (Holdings) Limited, all of which are listed on The Stock Exchange of Hong Kong Limited.

Mr. Lou Ping Ho, aged 44, is an independent non-executive director of the Company. Mr. Lou has over 18 years of experience in the hospitality industry. Mr. Lou had been a managerial staff member responsible for the cost control and procurement functions in a number of hospitality groups in Hong Kong. Since 1995, Mr. Lou has joined Vocational Training Council as a Lecturer in Hotel, Service and Tourism Studies and acted as a consultant to the government, various hotel and commercial institutions. Mr. Lou is a doctoral candidate of business administration studies and holds a Master Degree of Science in Hotel and Tourism Management. Mr. Lou is also a Certified Hospitality Educator.

Senior Management

Mr. Wu Ying Keung, aged 52, is the Chief Financial Officer and Company Secretary of the Group. He is responsible for the overall financial management, accounting and company secretarial functions. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in United Kingdom, and also an associate member of the Certified General Accountants' Association of Canada. He joined the Group in 2006 with 30 years of experiences in management, finance, and auditing. Before joining the Group, he has held key finance and management positions in listed companies and multinational corporations in various industries.

Mr. Tom Xie, aged 58, is the Vice President of the Group. Mr. Xie joined the Group in 2005 and is responsible for overall retail business development in PRC, including the formulation and execution of sales and marketing strategies. He is familiar with the PRC political, economic and business environment and retail market. He also has extensive network and over 20 years of experience in senior management.

Mr. Xie holds a Diploma in International Trade and Economics of Jinan University in China.

Mr. Tam Chun Kit, aged 53, is the Retail Operation Controller of the Group. Mr. Tam joined the Group in 2001 and is responsible for execution of the overall retail business operation of the Group. He has over 24 years sales operation and managerial experience in the jewellery retail industry and held position of retail business controller in a listed jewellery company. Mr. Tam holds a Diploma in Graduate Diamonds of the Gemological Institute of America.

Ms. Lee Ping Ping, aged 53, is the Retail Sales Controller of the Group. Ms. Lee joined the Group in 2005 and is responsible for execution of sales operation in Hong Kong and Macau. She has over 22 years of retail sales management experience in the jewellery industry.

Mr. Ho Ching, aged 58, is the Factory Manager of the Group. Mr. Ho joined the Group in 1991 and is responsible for the overall manufacturing operations and logistics of the Group's production facilities. He has over 27 years of experience in production and factory management in the jewellery industry.

Ms. Tsang Yuk Ching, Scara, aged 43, is the Group's Senior Marketing Manager. Ms. Tsang joined the Group in 1997 and is responsible for the Group's overseas markets. Ms. Tsang has over 18 years of experience in international marketing.

Unfailing Pursuit of Quality Excellence
致力追求璀璨細膩

"Ballet" Diamond Jewellery Set
"Ballet"鑽飾套裝

1. "Tango" Diamond Jewellery Set
   "Tango" 鑽飾套裝
2. "Viennese Waltz" Jewellery Set
   "Viennese Waltz"鑽飾套裝

Well-recognized Achievements on Jewellery Design
珠寶設計成就備受肯定

1. Chuk Kam jewellery design competition 2008-18K Gold with Chuk Kam Category "Glory"
   足金首飾設計比賽2008-K金加入足金組別「榮耀」
2. Chuk Kam jewellery design competition 2008-18K Gold with Chuk Kam Category "Wave"
   足金首飾設計比賽2008-K金加入足金組別「浪花」
3. Chuk Kam jewellery design competition 2008-Open Group: True Love Collection "Harmony of Love"
   足金首飾設計比賽2008-公開組:真愛系列「愛的融洽」

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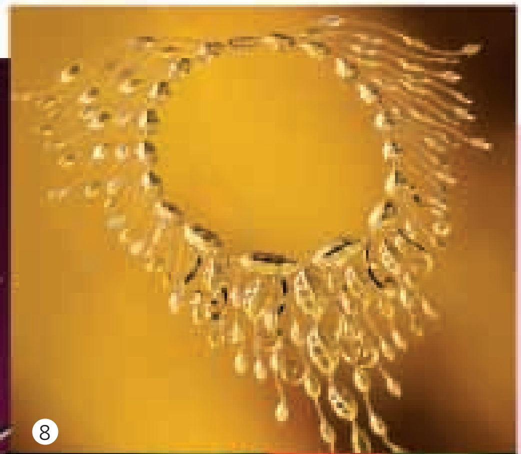

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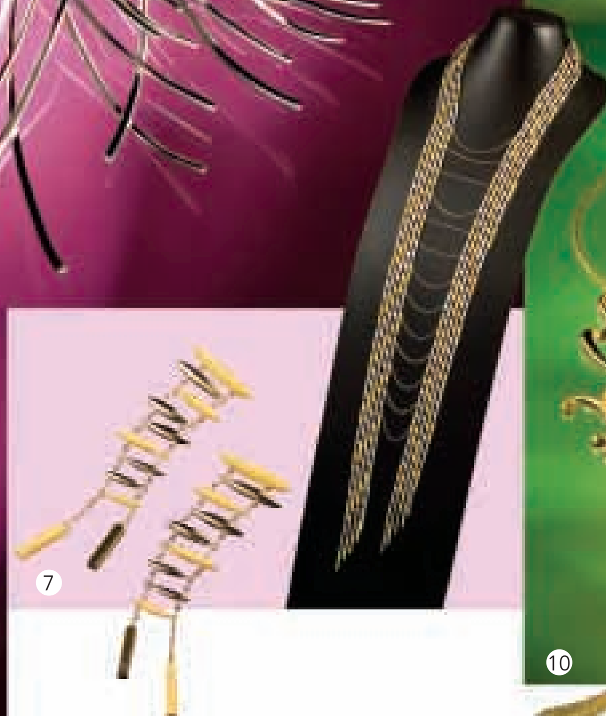

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4. Chuk Kam jewellery design competition 2008-18K Gold with Other Materials Category "Dancing Life"
足金首飾設計比賽2008-K金加其他物料組別「舞動人生」

5. Chuk Kam jewellery design competition 2008-18K Gold with Chuk Kam Category "Sprout"
足金首飾設計比賽2008-K金加入足金組別「萌芽」

6. Chuk Kam jewellery design competition 2008-Open Group: True Love Collection "True Love"
足金首飾設計比賽2008-公開組:真愛系列「真愛」

7. Chuk Kam jewellery design competition 2008-18K Gold with Chuk Kam Category "Splendour"
足金首飾設計比賽2008-K金加入足金組別「澎湃光彩」

8. Chuk Kam jewellery design competition 2008-Open Group: Glory Collection "Glory and Peace"
足金首飾設計比賽2008-公開組:榮耀系列「榮耀與和平」

9. Chuk Kam jewellery design competition 2008-Student Group "Happy Spring"
足金首飾設計比賽2008-學生組「喜春」

10. Chuk Kam jewellery design competition 2008-Student Group "Blessing"
足金首飾設計比賽2008-學生組「祝福」

The board of Directors (the "Board" or "Directors") considers that maintaining and upholding good standards of corporate governance shall enhance the interests of the shareholders and the Company as a whole.

The Company adopted the Code on Corporate Governance Practices (the "CG Code") as contained in Appendix 14 of the rules governing the listing of securities on The Stock Exchange of Hong Kong (the "Listing Rules") as its own code of corporate governance practices. The Company has complied with the majority of the code provisions under the CG Code so far they are applicable throughout the year ended 31 March 2008 (the "Review Period") and a majority of the recommended practices under the CG Codes.

THE BOARD

The Board currently comprises five executive Directors, one Non-executive Director and four Independent non-executive Directors. The number of independent non-executive Directors represents more than one third of the Board. The biographical details of relationship among the members of the Board are disclosed under the section headed "Profile of Directors and Senior Management" on pages 18 to 21 of the annual report. They are also identified in various corporate communications and in all announcements during the Review Period.

THE COMPOSITION OF THE BOARD

The Directors believe that the current composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business of the Group and the effective leadership. Dr. Lam Sai Wing, the Chairman and founder of the Group, is highly recognised in the jewellery industry. Ms. Chan Yam Fai, Jane, the Deputy Chairman and co-founder of the Group, has in-depth knowledge in the jewellery industry and jewellery product. Ms. Ng Yee Mei, Mr. Yeung Hon Yuen both possess substantial experience in marketing and retail sales and Mr. Kuang Hao Kun, Giovanni, is well-experienced in the finance and investment sector. The non-executive and independent non-executive Directors of the Group are experts in various business sectors ranging from the capital investment market, journalism, global financing, engineering technology application and hospitality management. The Directors are of the opinion that the present structure can ensure independence and objectivity of the Board and provide checks and balances to safeguard the interests of the shareholders and the Company.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The Board believes that a clear division of responsibilities between the Chairman and the Chief Executive Officer is crucial to the effective running of the Board and the development of the Group. The current positions of the Chairman and the Chief Executive Officer of the Company are held by two different executive Directors namely, Dr. Lam Sai Wing and Ms. Ng Yee Mei respectively. Their roles and duties are separate. Dr. Lam Sai Wing, the Chairman, is to lead the Board to form strategic plans whilst Ms. Ng Yee Mei, holding the role of the Chief Executive Officer, is to implement the policies and answerable to the Board for the operations of the Company.

THE BOARD MEETINGS AND COMMITTEE MEETINGS

The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The full Board of Directors met four times whilst three Audit Committee meetings and one Remuneration Committee meeting were held during the Review Period. The meetings held were attended by Directors and with a 100% attendance rate.

Individual attendance record of the relevant Director is as follows:

	Number of Meetings attended/held		
Directors	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meeting**
Executive Directors:			
Dr. Lam Sai Wing, *(Chairman)*	4/4	n/a	1/1
Ms. Chan Yam Fai, Jane, *(Deputy Chairman)*	4/4	n/a	n/a
Ms. Ng Yee Mei *(Chief Executive Officer)*	4/4	n/a	n/a
Mr. Yeung Hon Yuen	4/4	n/a	n/a
Mr. Kuang Hao Kun, Giovanni	4/4	n/a	n/a
Non-executive Director:			
Mr. Wong Kwong Chi	4/4	3/3	1/1
Independent non-executive Directors:			
Mr. Lee Kok Keung	4/4	3/3	1/1
Mr. Liu Ngai Wing	4/4	3/3	1/1
Dr. Lui Sun Wing	4/4	3/3	1/1
Mr. Lou Ping Ho	4/4	3/3	1/1
Average attendance rate	100%	100%	100%

Written resolutions have been and are used to be circulated to the full Board of Directors to resolve matters requiring their immediate attention.

PROCEEDINGS OF MEETING

In convening the meetings, the Chairman is responsible for drawing up and approving the agenda for each Board meeting in consultation with all Directors and the Company Secretary.

Prior notice of each Board meeting was given to all Directors at least 14 days in advance of the Board meeting and the Directors were invited to include matters for discussion in the agenda. Agenda and accompanying board papers were sent in full to all Directors at least three days in advance or within reasonable time prior to the meetings.

The minutes of the Board meeting were recorded in sufficient details of the matters considered by the Board. The minutes of all Board meetings and all other committee meetings are kept by the Company Secretary and are available for inspection by any Director, auditors or any relevant eligible parties who can have access to such information.

The Directors were reminded to declare any conflicts in interest in Board meetings and to abstain from voting and be excluded from counting as quorum in that meeting whenever there are potential conflicts in interest arising.

THE APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Bye-laws of the Company contain provisions for the appointment, re-election and removal of Directors.

APPOINTMENT OF DIRECTOR

Subject to the Bye-law 86(1) of the Company, the Directors shall be elected or appointed in the first place at the statutory meeting of members and thereafter at the annual general meeting. However, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorization by the Members in general meeting, as an addition to the existing Board subject to Bye-law 86(2).

RE-ELECTION OF DIRECTOR

Bye-law 86(2) also provides that any Directors so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Pursuant to the Bye-law 87, one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years at the annual general meeting.

REMOVAL OF DIRECTOR

Under the Bye-law 86 (4), the members may, at any general meeting and by an ordinary resolution remove a Director at any time before the expiration of his/her period of office provided that the Notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director 14 days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his/her removal.

Under the code provision A.4.1., non-executive Directors should be appointed for a specific term. Currently, non-executive Director and independent non-executive Directors are subject to retirement by rotation at each annual general meeting under the Company's Bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less than those in the CG Code.

THE RESPONSIBILITIES OF DIRECTORS

The Chairman takes the lead to convene all Board meetings and to ensure that all Directors are properly briefed on issues. All relevant matters to be discussed in each Board meeting are laid down in detail and are acknowledged by all Board members at least three days in advance, or at the latest practicable dates for their review before each Board meeting.

All executive Directors are involved heavily in their roles as an executive Director and attend to the affairs of the Company in the Review Period, whilst all non-executive and Independent non-executive Directors have been participating in Board Meeting and have brought independent views and judgments on various issues. They are also serving on both Audit and Remuneration Committees to provide independent judgments on issues.

Each of the independent non-executive Directors has been appointed with formal letters of appointment setting out the key terms and conditions of their appointment. Prior to their respective appointment, each of the independence non-executive Directors had submitted a written confirmation to the Company and the Stock Exchange confirming their independence and has undertaken to the Company and the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

The Company shall review annually and obtain confirmation of their independence from each of the independent non-executive Directors during their terms of appointment.

The Company has received from each independent non-executive Director a written confirmation of his independence during the Review Period by reference to the Rule 3.13 of the Listing Rules. Based on such confirmations, the Board considers that the independent non-executive Directors are being considered to be independent.

DIRECTORS' SECURITIES TRANSACTIONS

Pursuant to a resolution passed on 21 December 2005, the Company adopted a code of conduct governing securities transactions by Directors on terms as set out in Appendix 10 of the Listing Rules ("Model Code"). As at the latest practicable date, the Company has resolved in a Board meeting on 28 April 2008 to fine-tune its code of practices by introducing new procedures and by extending the requirements to the relevant employees, those who are likely to be in possession of unpublished price-sensitive information of the Group to comply with the Model Code.

Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the Review Period.

DIRECTORS' AND OFFICERS' INDEMNITY

The Company continues to subscribe into an insurance policy in indemnifying Directors and senior executives from any losses, claims, damages, liabilities and expenses, including without limitation, any proceedings brought against the executive, arising from the performance of his/her duties pursuant to his/her appointment. The current policy has been renewed and shall be under constant review.

DELEGATION BY THE BOARD

While at all times the Board retains full responsibility for guiding and monitoring the operations of the Group, in discharging its duties during the Review Period, certain responsibilities are delegated to:

1. the Audit Committee and the Remuneration Committee, with each committee's constitution, power and duties clearly defined by its terms of reference, and are accountable to the full Board;

2. the Chief Executive Officer, who is delegated with day-to-day management of the business of the Company, is accountable to the Board; and

3. the senior management team of the Company, who is delegated with the responsibilities to deal with daily operational functions, are answerable to the executive Directors.

During the Review Period, each executive Director has had frequent meetings with managers in order to maintain an effective feedback system and enable the Company to react to changes or problems properly and effectively.

Each Director is free to seek advice from and has access to the Company's management team independently.

Although the Company has not yet formalised the functions reserved to the Board as prescribed in the CG Code D.1.2, the following matters have been and are used to be reserved for the full Board:

1. any matters determined by the Board to be material involving any conflict of interest for a substantial shareholder of the Company or a Director;

2. any matters relating to the formulation of the Company's strategy and direction;

3. any matters relating to the financial controls, compliance and risk management;

4. any changes in corporate structure such as the changes relating to the Company's capital structure, including reductions of share capital, share buy-backs or issue of new securities; and

5. the major appointments such as the appointments to the Board, the appointment of the Chairman and the Chief Executive Officer; recommendations to the shareholders on the appointment or removal of external auditors after taking into consideration the recommendations of the Audit Committee; and the appointment or removal of the Company Secretary and the Qualified Accountant.

The Board shall review its arrangement on delegation of responsibilities and authority regularly to ensure that such delegations are appropriate in view of the Company's prevailing circumstances and that appropriate reporting systems are in place.

AUDIT COMMITTEE

At present, the Audit Committee consists of the non-executive Director and four independent non-executive Directors namely:

Mr. Liu Ngai Wing *(Chairman)*
Mr. Wong Kwong Chi
Mr. Lee Kok Keung
Dr. Lui Sun Wing
Mr. Lou Ping Ho

Members of the committee shall be appointed by the Board amongst the non-executive Directors and independent non-executive Directors only and shall consist of no less than three members. The Board considers that each Audit Committee member has broad commercial experience and is a suitable mix of expertise in various business and financial sectors, and that the composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee has the responsibilities and power set forth in the terms of reference of the Audit Committee. Committee members shall meet in each year to consider the interim and final results prepared by the Board.

The terms of reference of the Audit Committee are available for inspection by the shareholders of the Company upon request made to the Company Secretary.

During the Review Period, the Audit Committee met thrice. The attendance of individual Directors at the committee meetings is set out on page 27 of this annual report.

The following is a summary of work performed by the Audit Committee during the Review Period and up to the date of this report:

1. **To review financial reporting for the interim period ended 30 September 2007 and the year ended 31 March 2008**
   The Audit Committee reviewed the Group's unaudited consolidated financial information for the interim period ended 30 September 2007 and have reviewed and discussed with the external auditor of the Group's consolidated financial statements for the year ended 31 March 2008 and on the accounting policies and practices which may affect the Group and the financial reporting matters.

2. **To review the continuing connected transactions**
   The Audit Committee also reviewed the reasonableness and fairness of the continuing connected transactions of the Company conducted during the year ended 31 March 2008.

3. **To review the re-appointment of External Auditor and its remuneration**

The Audit Committee has considered the re-appointment and the remuneration payable to Messrs. PricewaterhouseCoopers, the external auditor of the Company, for services provided during the year ended 31 March 2008 as follows:

Services rendered	**Fees paid/payable**
	HK$'000
Audit services	3,500
Non-audit services	2,683
Total:	6,183

The Audit Committee has reflected their views to the Board that the level of fees paid/payable to the Company's external auditor are reasonable and there has been no major disagreement between the auditor and the management of the Company during the year ended 31 March 2008.

4. **To review the internal audit work**

In connection with the internal control review conducted in the Review Period, the Audit Committee has periodically reviewed the internal audit work and had meetings with the internal auditor of the Company to follow up on the findings being identified in the assessment report relating to the Company's internal control system. The Audit Committee members are of the view that the key areas of the Company's internal control system have been reasonably implemented and there are no material issues requiring special concerns of the Board.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with written terms of reference. The Board has delegated the authority to the Remuneration Committee to review and recommend to the Board the compensation scheme of the Company to the Directors.

The Remuneration Committee at present has six members comprising one executive Director, one non-executive Director and four independent non-executive Directors, namely

Mr. Lee Kok Keung *(Chairman)*
Dr. Lam Sai Wing
Mr. Wong Kwong Chi
Mr. Liu Ngai Wing
Dr. Lui Sun Wing
Mr. Lou Ping Ho

The main function of the Remuneration Committee is to assist the Board to oversee the Group's remuneration packages payable to the Directors and to establish a transparent procedure for developing policy on such remuneration. In addition, the Remuneration Committee shall review certain incentive schemes of the Company, such as the Share Option Scheme of the Company. The Board shall in consultation with the Chairman of the Remuneration Committee provide sufficient resources to the Remuneration Committee to enable it to discharge its duties.

During the Review Period, the Remuneration Committee met once and the attendance of each individual Director is set out in page 27 of this annual report. The following matters were dealt with in the said meeting:

1. To review the renewal of service contracts of two executive Directors and to make recommendations to the Board of Directors to approve if thought fit;

2. To review and to recommend to the Board of Directors on the increase of Non-executive Director and independent non-executive Directors' fee if thought fit; and

3. To review the granting of share options to employees and Directors.

In recommending the remuneration of Directors, the Remuneration Committee makes reference to companies of comparable business type or scale, and the nature and level of work in order to compensate the Directors reasonably for their time and efforts spent. The Remuneration Committee will regularly review and recommend the remuneration of Directors to the Board.

The terms of reference of the Remuneration Committee are available for inspection by the shareholders of the Company upon request made to the Company Secretary.

FINANCIAL REPORTING

The Board acknowledges its responsibility for the preparation of the financial statements for each financial period, which shall give a true and fair view of the state of affairs of the Company.

During the Review Period, the Board is not aware of any material uncertainties relating to event or condition that might cast significant doubt upon the Company's ability to continue in business. Accordingly, the Board has prepared the financial statements of the Company on a going concern basis.

All Directors acknowledged their responsibility for preparing the financial statements for the year ended 31 March 2008.

The Company's external auditor's responsibility on the financial statements of the Group is set out in the independent auditor's report on pages 55 to 56 of this annual report.

The Company announces its interim and annual results as soon as reasonably practicable after the end of the relevant period and the financial year as required by the Listing Rules, disclosing all such information as would enable shareholders of the Company to assess the performance, financial position and prospects of the Company.

INTERNAL CONTROL

The Board recognizes the importance of safeguarding the Company's assets against unauthorised use or disposal and strives to ensure that the Company's accounting records are properly maintained and the financial information is accurate and reliable.

Two different internal audit teams locate in the Hong Kong office and the PRC office respectively to provide assurance to the Board and management on the effectiveness of internal controls. The Internal Audit Manager reports to the Audit Committee.

During the Review Period, internal audits have been carried out in the key business areas of the Group including the accounts payable system, the cash flow management, the asset management in the retail operation of Hong Kong and the PRC. The findings and recommendations have been reviewed by the members of the Audit Committee and the Board who are of the view that the internal control system of the Group has been implemented without any significant incidence of failure.

The Board undertakes to periodically review the internal control and risk management systems of the Group to ensure their effectiveness and efficiency.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining on-going communication with the shareholders and have organized various investor relation programs to enhance transparency and encourage interactive communications with shareholders and investors. During the Review Period, the Directors took the initiative to cultivate close relationship with institutional investors by arranging one-on-one meetings and company site visits. The Company also took part in some notable events such as the UBS Greater China Conference, CLSA Hong Kong and London Consumer Access Day, Credit Suisse's Asia Investor Conference, in order to present to investors the business of the Company and its potentials in the fast growing consumer market in the Mainland China.

The Board considers that these activities have enhanced investors' understanding of and confidence in the Group's business so as to achieve comprehensive disclosure of the Company's information.

The Chairman of the Board, the Chairman of Audit Committee as well as the Chairman of Remuneration Committee shall attend each Annual General Meeting or any general meeting to answer questions from shareholders.

The directors have the pleasure in presenting the annual report together with the audited financial statements of Hang Fung Gold Technology Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture (through subsidiaries and subcontractors) and selling of a broad range of gold products, other precious metal products and jewellery products.

An analysis of the Group's performance for the year by geographical segments is set out in Note 5 to the financial statements.

CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2008, the five largest customers of the Group accounted for approximately 16.4% (2007: 8.8%) of the Group's total sales and the five largest suppliers of the Group accounted for approximately 73.8% (2007: 73.6%) of the Group's total purchases. The largest customer of the Group accounted for approximately 3.9% (2007: 1.8%) of the Group's total sales while the largest supplier accounted for approximately 32.5% (2007: 36.3%) of the Group's total purchases. None of the directors, their associates, or any shareholder (which, to the knowledge of the directors, owns more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers or five largest suppliers.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 March 2008 are set out in the consolidated income statement on page 57. The directors recommended a final dividend of HK4.0 cents per share and a special dividend of HK2.0 cents per share subject to shareholders' approval at the forthcoming annual general meeting. Together with an interim dividend of HK2.8 cents per share, total dividends for the year ended 31 March 2008 amounted to approximately HK$83,719,000.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 24 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 25 to the financial statements.

As at 31 March 2008, the Company had reserves of approximately HK$295,812,000 (2007: HK$268,782,000) available for distribution to shareholders.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$400,000.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda.

FINANCIAL SUMMARY

A summary of the Group's financial information for the last five financial years is set out on pages 2 and 3.

PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

Details of movements in property, plant and equipment and leasehold land during the year are set out in Notes 15 and 16, respectively, to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in Note 17 to the financial statements.

BORROWINGS

Particulars of borrowings as at 31 March 2008 are set out in Notes 26, 32 and 36, respectively, to the financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds and the conversion during the year are set out in Note 28 to the financial statements.

PENSION SCHEME

Details of the pension scheme are set out in Note 8 to the financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the events after the balance sheet date are set out in Note 38 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report were:

Executive directors

Dr. Lam Sai Wing *(Chairman)*
Ms. Chan Yam Fai, Jane *(Deputy Chairman)*
Ms. Ng Yee Mei
Mr. Yeung Hon Yuen
Mr. Kuang Hao Kun, Giovanni

Non-executive director

Mr. Wong Kwong Chi

Independent non-executive directors

Mr. Lee Kok Keung
Mr. Liu Ngai Wing
Dr. Lui Sun Wing
Mr. Lou Ping Ho

In accordance with the Bye-laws of the Company, Ms. Chan Yam Fai, Jane, Ms. Ng Yee Mei, Mr. Liu Ngai Wing and Dr. Lui Sun Wing will retire from office and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

Dr. Lam Sai Wing and Ms. Chan Yam Fai, Jane each entered into a service contract with the Company for a term of three years commencing from 1 April 2007. Other than these service contracts, none of the directors has an unexpired service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS

As at 31 March 2008, the interests or short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

DIRECTORS' INTERESTS (continued)

(a) Long positions in the Company

	Number of shares				Percentage holding of total interest	Number of share options
	Personal Interest	Family Interest	Corporate Interest	Total Interest		
Dr. Lam Sai Wing	101,778,112	–	237,865,084 *(Note 1)*	339,643,196	35.70%	6,190,385 *(Note 2)*
Ms. Chan Yam Fai, Jane	–	–	–	–	–	6,190,384 *(Note 2)*
Ms. Ng Yee Mei	2,065	–	–	2,065	0.00%	6,000,000
Mr. Yeung Hon Yuen	–	–	–	–	–	1,200,000 *(Note 2)*
Mr. Kuang Hao Kun, Giovanni	–	–	–	–	–	3,000,000 *(Note 2)*
Mr. Wong Kwong Chi	–	160,000	–	160,000	0.02%	900,000 *(Note 2)*
Mr. Lee Kok Keung	–	–	–	–	–	600,000 *(Note 2)*
Mr. Liu Ngai Wing	–	–	–	–	–	900,000 *(Note 2)*
Dr. Lui Sun Wing	300,000	–	–	300,000	0.03%	600,000 *(Note 2)*
Mr. Lou Ping Ho	–	–	–	–	–	900,000 *(Note 2)*

DIRECTORS' INTERESTS (continued)

(b) Long positions in associated corporations

	Name of corporation	Number of shares Personal interest	Total
Dr. Lam Sai Wing	Hang Fung Jewellery Company Limited	1 Class A (non-voting) ordinary *(Note 3)*	1
	Kai Hang Jewellery Company Limited	8,000 Class A (non-voting) ordinary *(Note 3)*	8,000
Ms. Chan Yam Fai, Jane	Hang Fung Jewellery Company Limited	1 Class A (non-voting) ordinary *(Note 3)*	1
	Kai Hang Jewellery Company Limited	2,000 Class A (non-voting) ordinary *(Note 3)*	2,000

Notes:

1. The 237,865,084 shares are owned as to 178,398,813 shares by Quality Prince Limited and 59,466,271 shares by Allglobe Holdings Limited. Quality Prince Limited is a company wholly-owned by S.W. Lam, Inc., a company in which Dr. Lam Sai Wing holds an approximately 82% interest through Good Day Holdings Limited, a company wholly-owned by Dr. Lam Sai Wing. Accordingly, Dr. Lam Sai Wing is deemed to be interested in all shares in the Company held by Quality Prince Limited. Allglobe Holdings Limited is a company wholly-owned by Dr. Lam Sai Wing.

2. The interests of the directors in the share options of the Company are separately disclosed in the section headed "Share Options" below.

3. Class A (non-voting) ordinary shares have no voting rights, are not entitled to dividends unless dividends paid to holders of Class B (voting) ordinary shares exceed HK$900,000,000,000 in each financial year, and are not entitled to distribution of the company's assets unless each Class B (voting) ordinary shareholder has been returned its paid up capital together with a premium of HK$900,000,000,000. The Class B (voting) ordinary shares have voting rights and are entitled to dividends and distribution of the company's assets.

DIRECTORS' INTERESTS (continued)

(b) Long positions in associated corporations (continued)

Save as disclosed above, as at 31 March 2008, none of the directors and chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register maintained by the Company pursuant to section 352 to the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

At the annual general meeting of the Company held on 28 August 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "New Scheme") and the termination of the old share option scheme (the "Old Scheme"). Despite the fact that no further options may be granted under the Old Scheme, all outstanding options previously granted continue to be valid and exercisable in accordance with the rules of the Old Scheme, subject to the provisions of the Listing Rules.

a. Old Scheme

The Old Scheme was adopted on 27 February 1999 and was terminated on 28 August 2002. In accordance with the Old Scheme, the directors were entitled to grant options to employees, including executive directors, of the Group, to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time, excluding shares issued pursuant to the scheme. The subscription price was determined based on the higher of the nominal value of a share and 80% of the average of the closing prices of the shares for the five trading days immediately preceding the date of offer of the options. No employee might be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under the Old Scheme. Options granted were exercisable during a period no later than the expiry of 10 years from the adoption date of the Old Scheme.

As at 31 March 2008, the total number of shares which might be issued on the exercise of the outstanding options granted under the Old Scheme was 34,725,962 shares, representing 3.6% of the issued share capital of the Company.

SHARE OPTIONS (continued)

b. New Scheme

The New Scheme was effective on 28 August 2002. The major terms of the scheme are summarised as follows:

(i) Purpose

The purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

(ii) Participants

The participants include any directors (including executive, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the directors consider, in their sole discretion, have contributed or will contribute to the Group.

(iii) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the New Scheme shall not exceed 10% of the issued share capital of the Company as at the date of approval of the New Scheme and such limit may be refreshed by shareholders in general meeting. However, the overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes must not exceed 30% of the shares of the Company in issue from time to time. Subsequent to the adoption of the New Scheme, the limit was refreshed at the annual general meetings of the Company held on 26 August 2004, 31 August 2005, 31 August 2006 and 31 August 2007 respectively. The existing limit of the maximum number of shares in respect of which options may be granted under the New Scheme as refreshed is 91,393,874 shares, being 10% of the shares in issue of the Company on 31 August 2007.

(iv) Maximum entitlement of each participant

The maximum number of shares in respect of which options may be granted to a participant under the New Scheme shall not (when aggregated with any shares subject to any other share option schemes) in any 12-month period exceed 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company.

SHARE OPTIONS (continued)

b. New Scheme (continued)

(v) Timing for exercise of options

An option may be exercised at any time during a period to be notified by the directors to each grantee at the time of making an offer which shall not expire later than 10 years from the date of grant.

(vi) Vesting period

The directors may, at their discretion, determine a minimum period for which an option must be held before it can be exercised.

(vii) Acceptance of offers

Acceptance of an option shall be made within 28 days from the date of grant together with a non-refundable payment of HK$1.00 from the grantee.

(viii) Basis for determination of exercise price

The exercise price of an option must not be less than the highest of:

– the closing price of the shares on the date of grant;

– the average of the closing prices of the shares for the 5 business days immediately preceding the date of grant; and

– the nominal value of a share.

(ix) Life of the scheme

The New Scheme shall be valid and effective for a period of 10 years commencing on 28 August 2002, the date of adoption of the scheme.

SHARE OPTIONS (continued)

c. Movements of share options

Movements of share options during the year ended 31 March 2008 are:

	Date of grant	Exercise period	Exercise price	Number of share options Beginning of year '000	Granted during the year '000	Exercised during the year '000	End of year '000
Old Scheme							
Employees	9 June 2000	9 June 2001 to 26 February 2009	HK$1.08	25,725	–	13,029	12,696
	10 April 2002	10 April 2003 to 26 February 2009	HK$1.48	22,030	–	–	22,030
New Scheme							
Executive Directors							
Dr. Lam Sai Wing	19 December 2003	19 December 2003 to 27 August 2012	HK$1.56	3,190	–	–	3,190
	20 December 2007	20 December 2007 to 27 August 2012	HK$1.60	–	1,000	–	1,000
		20 December 2008 to 27 August 2012	HK$1.60	–	1,000	–	1,000
		20 December 2009 to 27 August 2012	HK$1.60	–	1,000	–	1,000
Ms. Chan Yam Fai, Jane	19 December 2003	19 December 2003 to 27 August 2012	HK$1.56	3,190	–	–	3,190
		20 December 2007 to 27 August 2012	HK$1.60	–	1,000	–	1,000
		20 December 2008 to 27 August 2012	HK$1.60	–	1,000	–	1,000
		20 December 2009 to 27 August 2012	HK$1.60	–	1,000	–	1,000

SHARE OPTIONS (continued)

c. Movements of share options (continued)

	Date of grant	Exercise period	Exercise price	Number of share options Beginning of year '000	Granted during the year '000	Exercised during the year '000	End of year '000
Ms. Ng Yee Mei	29 May 2007	29 May 2007 to 27 August 2012	HK$1.31	–	3,000	–	3,000
	20 December 2007	20 December 2007 to 27 August 2012	HK$1.60	–	1,000	–	1,000
		20 December 2008 to 27 August 2012	HK$1.60	–	1,000	–	1,000
		20 December 2009 to 27 August 2012	HK$1.60	–	1,000	–	1,000
Mr. Yeung Hon Yuen	20 December 2007	20 December 2007 to 27 August 2012	HK$1.60	–	400	–	400
		20 December 2008 to 27 August 2012	HK$1.60	–	400	–	400
		20 December 2009 to 27 August 2012	HK$1.60	–	400	–	400
Mr. Kuang Hao Kun, Giovanni	29 May 2007	29 May 2007 to 27 August 2012	HK$1.31	–	1,800	–	1,800
	20 December 2007	20 December 2007 to 27 August 2012	HK$1.60	–	400	–	400
		20 December 2008 to 27 August 2012	HK$1.60	–	400	–	400
		20 December 2009 to 27 August 2012	HK$1.60	–	400	–	400
Non-executive Director							
Mr. Wong Kwong Chi	20 December 2007	20 December 2007 to 27 August 2012	HK$1.60	–	300	–	300
		20 December 2008 to 27 August 2012	HK$1.60	–	300	–	300
		20 December 2009 to 27 August 2012	HK$1.60	–	300	–	300

SHARE OPTIONS (continued)

c. Movements of share options (continued)

	Date of grant	Exercise period	Exercise price	Number of share options: Beginning of year '000	Granted during the year '000	Exercised during the year '000	End of year '000
Independent non-executive Director							
Mr. Lee Kok Leung	20 December 2007	20 December 2007 to 27 August 2012	HK$1.60	–	300	300	–
		20 December 2008 to 27 August 2012	HK$1.60	–	300	–	300
		20 December 2009 to 27 August 2012	HK$1.60	–	300	–	300
Mr. Liu Ngai Wing	20 December 2007	20 December 2007 to 27 August 2012	HK$1.60	–	300	–	300
		20 December 2008 to 27 August 2012	HK$1.60	–	300	–	300
		20 December 2009 to 27 August 2012	HK$1.60	–	300	–	300
Dr. Lui Sun Wing	20 December 2007	20 December 2007 to 27 August 2012	HK$1.60	–	300	300	–
		20 December 2008 to 27 August 2012	HK$1.60	–	300	–	300
		20 December 2009 to 27 August 2012	HK$1.60	–	300	–	300
Mr. Lou Ping Ho	20 December 2007	20 December 2007 to 27 August 2012	HK$1.60	–	300	–	300
		20 December 2008 to 27 August 2012	HK$1.60	–	300	–	300
		20 December 2009 to 27 August 2012	HK$1.60	–	300	–	300

SHARE OPTIONS (continued)

c. Movements of share options (continued)

	Date of grant	Exercise period	Exercise price	Number of share options: Beginning of year '000	Granted during the year '000	Exercised during the year '000	End of year '000
Employees	19 February 2003	31 July 2003 to 27 August 2012	HK$0.85	3,425	–	3,425	–
	18 April 2007	31 May 2007 to 27 August 2012	HK$1.27	–	1,490	–	1,490
		31 May 2008 to 27 August 2012	HK$1.27	–	980	–	980
		31 May 2009 to 27 August 2012	HK$1.27	–	1,030	–	1,030
	13 November 2007	13 November 2007 to 27 August 2012	HK$1.27	–	3,182	1,680	1,502
		13 November 2008 to 27 August 2012	HK$1.27	–	2,234	–	2,234
		13 November 2009 to 27 August 2012	HK$1.27	–	2,234	–	2,234
	20 December 2007	20 December 2007 to 27 August 2012	HK$1.60	–	508	68	440
		20 December 2008 to 27 August 2012	HK$1.60	–	496	–	496
		20 December 2009 to 27 August 2012	HK$1.60	–	496	–	496
	2 January 2008	2 January 2008 to 27 August 2012	HK$1.88	–	318	–	318
		2 January 2009 to 27 August 2012	HK$1.88	–	316	–	316
		2 January 2010 to 27 August 2012	HK$1.88	–	66	–	66
				57,560	34,050	18,802	72,808

Note:

No options were cancelled or lapsed during the year ended 31 March 2008.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed herein, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies was a party and in which any of the Company's directors or members of its management had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2008, the following persons (other than the directors or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such shares:

Name of shareholders	Nature	Number of shares and underlying shares held	Percentage holding
Good Day Holdings Limited *(Note 1)*	Long position	178,398,813	18.75%
S.W. Lam, Inc. *(Note 1)*	Long position	178,398,813	18.75%
Quality Prince Limited *(Note 1)*	Long position	178,398,813	18.75%
Arisaig Greater China Fund Limited	Long position	130,034,000	13.67%
Allglobe Holdings Limited *(Note 2)*	Long position	59,466,271	6.25%
Evolution Capital Management LLC	Long position	57,708,903	6.07%
	Short position	11,354,000	1.19%
Evolution Master Fund Ltd SPC	Long position	54,580,903	5.74%
	Short position	11,354,000	1.19%

Notes:

1. Quality Prince Limited is a company wholly-owned by S.W. Lam, Inc., a company in which Dr. Lam Sai Wing holds an approximately 82% interest through Good Day Holdings Limited, a company wholly-owned by Dr. Lam Sai Wing.

2. Allglobe Holdings Limited is a company wholly-owned by Dr. Lam Sai Wing.

SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)

Save as disclosed above, the directors or the chief executive of the Company are not aware of any person (other than a director or chief executive of the Company) who, as at 31 March 2008, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such shares.

MANAGEMENT CONTRACTS

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

DISCLOSURE PURSUANT TO RULES 13.18 & 13.21 OF THE LISTING RULES

Hang Fung Jewellery Company Limited, a wholly-owned subsidiary of the Company, entered into a facility agreement (the "Facility Agreement") dated 16 March 2006 with financial institutions not connected with the directors, chief executive, substantial shareholders of the Company or its subsidiaries or any of their respective associates, in respect of loan facilities of up to a principal amount of HK$500,000,000 for a term of three years. Its obligations under the Facility Agreement are guaranteed by the Company. The loan under the Facility Agreement was fully repaid in October 2007.

Amongst other things, there will be an event of default under the Facility Agreement if Dr. Lam Sai Wing, the controlling shareholder of the Company, fails to maintain a direct or indirect holding of at least 20% of the issued voting share capital of the Company or ceases to be the chairman of the Board of Directors of the Company, so that on such a default, the entire facilities may be terminated.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2008 ("the Year"), the Group had the following transactions constituted as continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and required to be disclosed in accordance with Chapter 14A of the Listing Rules:

1. **Skyman Limited ("Skyman")**

   Pursuant to the expiry of a tenancy agreement on 14 November 2007, which was made between Hang Fung Jewellery Company Limited (a subsidiary of the Company hereinafter "Hang Fung") (as tenant) and Skyman (as Landlord) for leasing property located at Units H and K and Flat Roof K on 2nd Floor and Private Car Parking Space Nos. G17, G19 and G21 on the ground floor of Kaiser Estate Phase II, Nos 47-53 Man Yue Street and Nos 20-28 Man Lok Street, Hung Hom, Kowloon, Hang Fung renewed the said tenancy agreement with Skyman for a term of three years from 15 November 2007 to 14 November 2010 with an annual rental of HK$1,254,000. The tenancy term remained current during the Year.

   Skyman is a body corporate wholly-owned by Dr Lam Sai Wing, an executive director of the Company, and therefore Skyman is a connected person of the Company under the Listing Rules. The renewal of the said tenancy agreement on 15 November 2007 during the Year is a continuing connected transaction in respect of which an announcement dated 16 November 2007 was published.

   For the Year ended, the actual rental payment payable by Hang Fung to Skyman in respect of this continuing connected transaction totalled to HK$1,042,000.

2. **Sky Rich Enterprises Limited ("Sky Rich")**

   Pursuant to a tenancy agreement dated 1 June 2005 made between Hang Fung (as tenant) and Sky Rich (as Landlord), Sky Rich leased the property at Unit G, 1st Floor, Kaiser Estate Phase II, Nos 47-53 Man Yue Street and Nos 20-28 Man Lok Street, Hung Hom, Kowloon to Hang Fung at an annual rental of HK$600,000. The tenancy term remained current during the Year.

   Sky Rich is a body corporate wholly-owned by Dr Lam Sai Wing and Ms. Chan Yam Fai Jane, the executive directors of the Company, and therefore Sky Rich is a connected person of the Company under the Listing Rules. The tenancy agreement made on 1 June 2005 is a continuing connected transaction in respect of which an announcement dated 3 June 2005 was published.

   For the Year ended, the actual rental payment payable by Hang Fung to Sky Rich in respect of this continuing connected transaction totalled to HK$600,000.

CONTINUING CONNECTED TRANSACTIONS (continued)

3. Sky Rich Enterprises Limited ("Sky Rich")

Pursuant to a tenancy agreement dated 1 November 2006 made between Hang Fung (as tenant) and Sky Rich (as Landlord), Sky Rich leased the property at Unit A, 1st Floor, Kaiser Estate Phase I, Nos 37-45 Man Yue Street, Hung Hom, Kowloon to Hang Fung at an annual rental of HK$696,000. The tenancy term remained current during the Year.

Sky Rich is a body corporate wholly-owned by Dr Lam Sai Wing and Ms Chan Yam Fai Jane, the executive directors of the Company, and therefore Sky Rich is a connected person of the Company under the Listing Rules. The tenancy agreement made on 1 November 2006 is a continuing connected transaction in respect of which an announcement dated 2 November 2006 was published.

For the Year ended, the actual rental payment payable by Hang Fung to Sky Rich in respect of this continuing connected transaction totalled to HK$696,000.

4. Central Point Investment Limited ("Central Point")

On 1 March 2008, Hang Fung entered into a tenancy agreement with Central Point for the renting of property located at Unit L, 1/F., Kaiser Estate Phase II, Nos 47-53 Man Yue Street and Nos 20-28 Man Lok Street, Hung Hom, Kowloon for a term of two years and eight months from 1 March 2008 to 31 October 2010 with a annual rental of HK$1,188,000. The Tenancy Term remained current during the Year.

Central Point is wholly-owned by Dr Lam Sai Wing, an executive director of the Company, and therefore Central Point is a connected person of the Company under the Listing Rules. The tenancy agreement made on 1 March 2008 during the Year is a continuing connected transaction in respect of which an announcement dated 3 March 2008 was published.

For the Year ended, the actual rental payment payable by Hang Fung to Central Point in respect of this continuing connected transaction totalled to HK$99,000.

5. Sky Rich Enterprises Limited ("Sky Rich")

Pursuant to a tenancy agreement dated 6 September 2005 made between Hang Fung (as tenant) and Sky Rich (as Landlord), Sky Rich leased the property at Units J, K and L on the Ground Floor of Kaiser Estate Phase II, Nos 47-53 Man Yue Street and Nos 20-28 Man Lok Street, Hung Hom, Kowloon to Hang Fung at an annual rental of HK$1,500,000 with a term of three years from 1 December 2005 to 30 November 2008. The tenancy term remained current during the Year.

CONTINUING CONNECTED TRANSACTIONS (continued)

5. Sky Rich Enterprises Limited ("Sky Rich") (continued)

Sky Rich is a body corporate wholly-owned by Dr Lam Sai Wing and Ms Chan Yam Fai Jane, the executive directors of the Company, and therefore Sky Rich is a connected person of the Company under the Listing Rules. The tenancy agreement made on 6 September 2005 is a continuing connected transaction in respect of which an announcement dated 12 September 2005 was published.

For the Year ended, the actual rental payment payable by Hang Fung to Sky Rich in respect of this continuing connected transaction totalled to HK$1,500,000.

6. Glory Hill Limited ("Glory Hill")

Pursuant to the expiry of a tenancy agreement on 14 November 2007, which was made between Hang Fung (as tenant) and Glory Hill (as Landlord), for leasing property located at Unit A on the Ground Floor and private car parking space No. 18 on the Basement of Winner Building, Nos 32, 32A and 34-40 Man Yue Street, Nos. 25-37 Tai Wan Road, Hung Hom, Kowloon, Hang Fung renewed the said tenancy agreement with Glory Hill for a term of three years from 15 November 2007 to 14 November 2010 with an annual rental of HK$1,230,000. However, this tenancy agreement was terminated pursuant to a termination agreement dated 19 February 2008.

Glory Hill is a body corporate wholly-owned by Dr Lam Sai Wing, an executive director of the Company, and therefore Glory Hill is a connected person of the Company under the Listing Rules. The renewal of the said tenancy agreement on 15 November 2007 during the Year is a continuing connected transaction in respect of which an announcement dated 16 November 2007 was published.

For the Year ended, the actual rental payment payable by Hang Fung to Glory Hill in respect of this continuing connected transaction totalled to HK$1,003,500.

The Board of Directors, having taken into account the recommendations from Audit Committee comprising a non-executive director and four independent non-executive directors of the Company, have reviewed and confirmed that the six continuing connected transactions as set out above have been entered into by the Group:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS (continued)

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their factual findings on the selected samples based on the agreed procedures to the Board of Directors.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to good corporate governance to enhance long term shareholder value. Throughout the period, the Company has complied with code provisions of the Code on Corporate Governance Practices as well as the majority of the recommended practices contained in the Listing Rules. Full details on the subject of the corporate governance are set out in the separately presented Corporate Governance Report on pages 26 to 35 of the annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this annual report, there is sufficient public float, as not less than 25% of the Company's issued shares are held by the public.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors,

LAM SAI WING
Chairman

Hong Kong, 10 July 2008

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF HANG FUNG GOLD TECHNOLOGY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hang Fung Gold Technology Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 127, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 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, 10 July 2008

Consolidated Income Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	5	**3,407,631**	3,127,026
Cost of sales	6	**(2,360,974)**	(2,141,635)
Gross profit		**1,046,657**	985,391
Selling and marketing costs	6	**(208,800)**	(427,619)
Administrative expenses	6	**(371,689)**	(318,591)
Other gains, net	7	**58,114**	929
Operating profit		**524,282**	240,110
Interest income		**7,811**	1,866
Interest expense		**(122,077)**	(68,910)
Fair value losses on derivative liability of convertible bonds		**(65,159)**	(45,943)
Finance costs, net	10	**(179,425)**	(112,987)
Profit before income tax		**344,857**	127,123
Income tax expense	11	**(40,498)**	(43,384)
Profit attributable to equity holders of the Company	12	**304,359**	83,739
Dividends	13	**83,719**	46,363
Earnings per share for profit attributable to the equity holders of the Company	14		
(expressed in HK cents per share)			
– basic		**34.0**	10.8
– diluted		**33.6**	10.8

The notes on pages 62 to 127 are an integral part of these financial statements.

Balance Sheets

As at 31 March 2008

		Group		Company	
		2008	2007	**2008**	2007
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**426,830**	840,110	**–**	–
Leasehold land	16	**5,484**	5,622	**–**	–
Investments in subsidiaries	17	**–**	–	**158,743**	158,743
		432,314	845,732	**158,743**	158,743
Current assets					
Inventories	18	**1,950,100**	1,148,301	**–**	–
Trade receivables	19	**909,557**	454,742	**–**	–
Prepayments, deposits and other receivables	20	**625,577**	95,936	**–**	–
Prepaid income tax		**645**	–	**–**	–
Due from a subsidiary	17	**–**	–	**2,230,609**	768,071
Derivative financial instruments	21	**5,942**	977	**–**	–
Other financial assets at fair value through profit or loss	22	**3,834**	3,658	**–**	–
Pledged bank deposits	23	**54,961**	60,628	**–**	–
Cash and cash equivalents	23	**581,560**	193,103	**681**	171
		4,132,176	1,957,345	**2,231,290**	768,242
Total assets		**4,564,490**	2,803,077	**2,390,033**	926,985
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	24	**95,150**	81,826	**95,150**	81,826
Reserves	25	**1,624,698**	1,170,973	**856,104**	625,283
Total equity		**1,719,848**	1,252,799	**951,254**	707,109

The notes on pages 62 to 127 are an integral part of these financial statements.

Balance Sheets (Continued)

As at 31 March 2008

	Note	Group 2008 HK$'000	Group 2007 HK$'000	Company 2008 HK$'000	Company 2007 HK$'000
LIABILITIES					
Non-current liabilities					
Long-term borrowings	26	**1,339,839**	285,117	**1,279,279**	–
Convertible bonds	28	**54,967**	163,141	**54,967**	163,141
Deferred tax liabilities	29	**26,558**	66,232	**–**	–
		1,421,364	514,490	**1,334,246**	163,141
Current liabilities					
Trade payables	30	**392,268**	159,552	**–**	–
Accruals and other payables	31	**171,932**	43,860	**57,255**	162
Short-term bank borrowings	32	**568,024**	525,582	**–**	–
Long-term borrowings, current portion	26	**32,060**	223,569	**–**	–
Finance lease obligations, current portion	27	**2,545**	1,504	**–**	–
Derivative financial instruments	21	**179,339**	73,968	**47,278**	56,573
Current income tax liabilities		**77,110**	7,753	**–**	–
		1,423,278	1,035,788	**104,533**	56,735
Total liabilities		**2,844,642**	1,550,278	**1,438,779**	219,876
Total equity and liabilities		**4,564,490**	2,803,077	**2,390,033**	926,985
Net current assets		**2,708,898**	921,557	**2,126,757**	711,507
Total assets less current liabilities		**3,141,212**	1,767,289	**2,285,500**	870,250

Lam Sai Wing
Chairman

Chan Yam Fai, Jane
Vice Chairman

The notes on pages 62 to 127 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2006	76,307	361,090	690,422	1,127,819
Currency translation differences	–	2,408	–	2,408
Net income recognised directly in equity	–	2,408	–	2,408
Profit attributable to the Company's equity holders	–	–	83,739	83,739
Total recognised income for the year	–	2,408	83,739	86,147
Issue of shares				
– in lieu of dividend	1,118	9,391	–	10,509
Conversion of convertible bonds	4,401	58,429	–	62,830
2005/2006 final dividend	–	–	(22,892)	(22,892)
2006/2007 interim dividend	–	–	(11,614)	(11,614)
Balance at 31 March 2007	81,826	431,318	739,655	1,252,799
Net investment hedge	–	(12,950)	–	(12,950)
Currency translation differences	–	21,697	–	21,697
Net income recognised directly in equity	–	8,747	–	8,747
Profit attributable to the Company's equity holders	–	–	304,359	304,359
Total recognised income for the year	–	8,747	304,359	313,106
Share option scheme				
– value of services	–	8,608	–	8,608
– proceeds from issue of shares	1,880	18,305	–	20,185
Conversion of convertible bonds	11,444	176,878	–	188,322
Transfer to statutory reserve	–	1,192	(1,192)	–
2006/2007 final dividend	–	–	(36,558)	(36,558)
2007/2008 interim dividend	–	–	(26,614)	(26,614)
Balance at 31 March 2008	95,150	645,048	979,650	1,719,848

The notes on pages 62 to 127 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	33(a)	**(495,868)**	54,930
Interest paid		**(109,670)**	(59,076)
Hong Kong profits tax paid		**(12,312)**	(7,325)
Mainland China enterprise income tax refunded/(paid)		**852**	(61)
Net cash used in operating activities		**(616,998)**	(11,532)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(19,717)**	(258,389)
Proceeds from sale of property, plant and equipment	33(b)	**265,168**	25,074
Proceeds from disposal of other financial assets at fair value through profit or loss		**–**	170
Interest received		**7,811**	1,866
Net cash generated from/(used in) investing activities		**253,262**	(231,279)
Cash flows from financing activities			
Proceeds from issue of shares		**20,185**	–
Issue of convertible bonds		**–**	229,700
Proceeds from long-term borrowings		**1,369,033**	4,158
Repayment of long-term borrowings		**(512,533)**	(61,601)
Proceeds from short-term bank borrowings		**651,232**	1,139,113
Repayment of short-term bank borrowings		**(714,169)**	(1,015,039)
Repayment of capital element of finance lease obligations		**(4,050)**	(5,267)
Decrease/(increase) in pledged bank deposits		**5,667**	(19,139)
Dividends paid		**(63,172)**	(23,997)
Net cash generated from financing activities		**752,193**	247,928
Increase in cash and cash equivalents		**388,457**	5,117
Cash and cash equivalents at beginning of the year		**193,103**	187,986
Cash and cash equivalents at end of the year		**581,560**	193,103
Analysis of cash and cash equivalents:			
Bank balances and cash		**581,560**	193,103

The notes on pages 62 to 127 are an integral part of these financial statements.

1 General information

Hang Fung Gold Technology Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the manufacturing, wholesaling, trading and retailing of gold products, other precious metal products and jewellery products.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 10 July 2008.

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.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

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.

(a) Standard, amendment and interpretations effective from accounting period beginning on 1 April 2007

- HKFRS 7, 'Financial Instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of Financial Statements – Capital Disclosures', introduce new disclosures relating to financial instruments and capital management, but do not have any impact on the classification and valuation of the Group's financial instruments, or disclosures relating to taxation and trade and other payables.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Standard, amendment and interpretations effective from accounting period beginning on 1 April 2007 (continued)

- HK(IFRIC) – Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This interpretation does not have significant impact on the Group's financial statements.

- HK(IFRIC) – Int 9, 'Reassessment of Embedded Derivatives', requires embedded derivatives to be assessed for separation from the host contract when the entity becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in terms that significantly modifies the cash flows that otherwise would be required under the contract. This interpretation does not have significant impact on the Group's accounting policies as the Group has already assessed whether embedded derivatives should be separated using principles consistent with HK(IFRIC) – Int 9.

- HK(IFRIC) – Int 10, 'Interim Financial Reporting and Impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have significant impact on the Group's financial statements.

- HK(IFRIC) – Int 11, 'HKFRS 2 – Group and Treasury Share Transactions' provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have significant impact on the Group's financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of Financial Statements' (effective from accounting period beginning on or after 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 April 2009.

- HKAS 23 (Revised), 'Borrowing Costs' (effective from accounting period beginning on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 April 2009. The amendment has no material impact on the Group's accounting policies as the Group's existing accounting policy on borrowing costs comply with the amended requirements.

- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements' (effective from accounting period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 April 2010.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKAS 32 and HKAS 1 Amendments, 'Puttable Financial Instruments and Obligations Arising on Liquidation' (effective from accounting period beginning on or after 1 January 2009). The amendments require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Group will apply HKAS 32 and HKAS 1 Amendments from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

- HKFRS 2 Amendment, 'Share-based Payment Vesting Conditions and Cancellations' (effective from accounting period beginning on or after 1 January 2009). The amendment clarifies the definition of 'vesting conditions' and specifies the accounting treatment of 'cancellations' by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All 'non-vesting conditions' and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 April 2009, but it is not expected to have any impact on the Group's financial statements.

- HKFRS 3 (Revised), 'Business Combinations' (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 April 2010.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKFRS 8, 'Operating Segments' (effective from accounting period beginning on or after 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 April 2009. The expected impact is still being assessed in detail by management, but it appears that the number of reportable segments, as well as the manner in which the segments are reported, may change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- HK(IFRIC) – Int 13, 'Customer Loyalty Programmes' (effective from accounting period beginning on or after 1 July 2008). HK(IFRIC) – Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply HK(IFRIC) – Int 13 from 1 April 2009.

(c) Interpretations to existing standards which are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2008 or later periods but are not relevant to the Group's operations:

- HK(IFRIC) – Int 12, 'Service Concession Arrangements' (effective from accounting period beginning on or after 1 January 2008).

- HK(IFRIC) – Int 14, 'HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction' (effective from accounting period beginning on or after 1 January 2008).

2 Summary of significant accounting policies (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 March.

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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(c) Group companies

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

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

(ii) 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 dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. 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.

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation (continued)

(c) Group companies (continued)

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.

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	5 years
Furniture and office equipment	5-8 years
Machinery, equipment and tools	4-7 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement.

2.6 Leasehold land

The up-front prepayments made for leasehold land are accounted for as operating leases. They are expensed in the income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the income statement.

2 Summary of significant accounting policies (continued)

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use 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). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category including interest and dividend income, are presented in the income statement within 'other gains, net', in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.9 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognised liabilities (fair value hedge);

(b) hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge); or

(c) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 21. Movements on the hedging reserve in shareholders' equity are shown in Note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as a current asset or liability.

2 Summary of significant accounting policies (continued)

2.9 Derivative financial instruments and hedging activities (continued)

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group applies only fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains, net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains, net'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in the income statement within 'sales'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains, net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in cost of inventories sold in case of inventory.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains, net'.

2 Summary of significant accounting policies (continued)

2.9 Derivative financial instruments and hedging activities (continued)

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains, net'.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

(d) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the income statement within 'other gains, net'.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administrative expenses. When a receivable is uncollectible, it is written off against the allowance for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2 Summary of significant accounting policies (continued)

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Gold loans are stated at the gold price prevailing at the balance sheet date. Differences arising from changes in gold prices are dealt with in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Convertible bonds

Convertible bonds with settlement options are classified as financial liabilities instead of equity. Embedded derivatives of the convertible bonds are carried at fair value as derivative liability and the changes in the fair value are recognised in the income statement. The liability component of convertible bonds is the balance after deducting the initial fair value of the derivative liability of convertible bonds, which is subsequently carried at amortised cost until extinguished on conversion or redemption.

If the convertible bonds are converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in the income statement.

2 Summary of significant accounting policies (continued)

2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Employee benefits

(a) Employee leave entitlements

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.

2 Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

(b) Pension obligations

Group companies operate several defined contribution plans. The plans are generally funded through payments to trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employment cost when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. 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 over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.19 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 Summary of significant accounting policies (continued)

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Service income

Service income is recognised when the respective services are rendered.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.21 Leases (as the lessee)

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 Summary of significant accounting policies (continued)

2.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.23 Dividend distribution

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

(i) Foreign exchange risk

The Group operates mainly in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollars, Chinese Renminbi and Macao Patacas. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from certain future commercial transactions and recognised liabilities, entities in the Group use forward currency exchange contracts, transacted with external financial institutions. Foreign exchange risk arises when future commercial transactions or recognised liabilities are denominated in a currency that is not the entity's functional currency. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through net investment hedge.

As at 31 March 2008, if Chinese Renminbi had strengthened/weakened by 5% (2007: 5%) against Hong Kong Dollars with all other variables held constant, profit for the year and shareholders' equity would have been approximately HK$10,554,000 higher/lower (2007: HK$2,811,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of Chinese Renminbi-denominated cash and cash equivalents, borrowings, trade and other receivables, and trade and other payables.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(i) Foreign exchange risk (continued)

At 31 March 2008, foreign exchange risks on financial assets and liabilities denominated in United States Dollars and Macao Patacas were insignificant to the Group.

The Group has certain investments in Mainland China, whose net assets are denominated in Chinese Renminbi. The conversion of Chinese Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

(ii) Price risk

Majority of the raw materials used by the Group are gold and precious stones and they are subject to market price risk. The price risk of certain raw materials is hedged by gold loan of the Group.

(iii) Credit risk

The Group has no concentrations of credit risk. It has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluation of its customers.

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. Majority of trade receivables are with wholesales customers having an appropriate credit history and at credit terms of 30 to 120 days. Most of the Group's wholesales are on open account, while sales made to a small number of customers are covered by letter of credit issued by banks or settled by documents against payment issued by banks.

The Group has policies to place its cash and cash equivalents only with major financial institutions and does not expect any losses from non-performance by these financial institutions.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facility (Note 36) and cash and cash equivalents (Note 23) on the basis of expected cash flow.

Financial liabilities of the Group and of the Company are primarily due within one year, except for long-term bank borrowings, convertible bonds and senior notes.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(iv) Liquidity risk (continued)

The table below analyses the Group's and the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group					
At 31 March 2008					
Bank borrowings and interest payment	**627,950**	**28,123**	**49,024**	**–**	**705,097**
Finance lease obligation and future finance charges	**2,603**	**–**	**–**	**–**	**2,603**
Convertible bonds	**–**	**–**	**60,000**	**–**	**60,000**
Senior notes and interest payment	**56,558**	**122,655**	**367,965**	**1,516,797**	**2,063,975**
Derivative financial instruments	**8,787**	**–**	**123,274**	**–**	**132,061**
Trade payables	**392,268**	**–**	**–**	**–**	**392,268**
Accruals and other payables	**115,374**	**–**	**–**	**–**	**115,374**
	1,203,540	**150,778**	**600,263**	**1,516,797**	**3,471,378**
At 31 March 2007					
Bank borrowings and interest payment	802,306	299,641	2,255	–	1,104,202
Finance lease obligation and future finance charges	1,535	–	–	–	1,535
Convertible bonds	–	–	190,000	–	190,000
Derivative financial instruments	12,964	4,431	–	–	17,395
Trade payables	159,552	–	–	–	159,552
Accruals and other payables	43,860	–	–	–	43,860
	1,020,217	304,072	192,255	–	1,516,544

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(iv) Liquidity risk (continued)

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Company					
At 31 March 2008					
Convertible bonds	**–**	**–**	**60,000**	**–**	**60,000**
Senior notes and interest payment	**56,558**	**122,655**	**367,965**	**1,516,797**	**2,063,975**
Accruals and other payables	**697**	**–**	**–**	**–**	**697**
	57,255	**122,655**	**427,965**	**1,516,797**	**2,124,672**
At 31 March 2007					
Convertible bonds	–	–	190,000	–	190,000
Accruals and other payables	162	–	–	–	162
	162	–	190,000	–	190,162

(v) Cash flow and fair value interest-rate risk

Except for the cash at bank and short-term bank deposits as at 31 March 2008 of HK$549,977,000 (2007: HK$89,918,000) held at effective interest rates ranging from 0.4% to 2.0% per annum (2007: 0.7% to 4.2% per annum), the Group has no other significant interest-bearing assets. Majority of these balances are at floating rates. Details of the Group's cash at bank and short-term bank deposits have been disclosed in Note 23.

Except for the bank borrowings, finance lease obligations, liability component of convertible bonds and senior notes, the Group has no other significant interest-bearing liabilities. Majority of these balances are at fixed rates. Details of the Group's bank borrowings, senior notes, finance lease obligations and convertible bonds have been disclosed in Notes 26, 27, 28 and 32.

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and enters into interest rate swaps, when market conditions prevail, to reduce the interest-rate risk. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(v) Cash flow and fair value interest-rate risk (continued)

At 31 March 2008, if interest rates had been increased/decreased by 200 basis-point and all other variables were held constant, the Group's net profit would have decreased/increased by approximately HK$7,085,000 (2007: HK$1,783,000). The fluctuation is solely attributable to interest income from cash at bank and bank deposits and interest expenses on bank borrowings at floating rates.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for the Company's shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings less cash and cash equivalents divided by total equity.

The gearing ratio as at 31 March 2008 is as follows:

	2008 **HK$'000**	2007 HK$'000
Senior notes (Note 26)	**1,279,279**	–
Liability component of convertible bonds (Note 28)	**54,967**	163,141
Long-term bank borrowings (Note 26)	**92,620**	508,686
Short-term bank borrowings (Note 32)	**568,024**	525,582
Finance lease obligations (Note 27)	**2,545**	1,504
	1,997,435	1,198,913
Less: cash and cash equivalents (Note 23)	**(581,560)**	(193,103)
	1,415,875	1,005,810
Total equity	**1,719,848**	1,252,799
Gearing ratio	**82%**	80%

The increase in the gearing ratio above resulted primarily from the issue of senior notes (Note 26).

3 Financial risk management (continued)

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt and interest rate swaps. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the currency swaps and interest rate swaps linked to gold price. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The fair value of trading of gold/silver is determined using market price of gold/silver at the balance sheet date.

The estimate of the fair value of the conversion option of the convertible bonds, that is separated from the host debt contract and accounted for as a derivative liability, is determined by using valuation techniques. The Group selects an appropriate valuation method and makes assumptions with reference to market conditions existing at each balance sheet date. Please refer to Note 28 for details.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual values of property, plant and equipment

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

4 Critical accounting estimates and judgements (continued)

(b) Write-downs of inventories to net realisable value

The Group writes down inventories to net realisable value based on an estimate of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

(c) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(d) Fair value of derivative financial instruments and convertible option

The fair value of derivative financial instruments which are not traded in an active market is determined by using valuation techniques. The embedded conversion option has been separated from the host debt contract and accounted for as a derivative liability carried at fair value through profit or loss. The fair value of this conversion option which is not traded in an active market is determined by using valuation techniques.

The Group uses its judgement to select an appropriate valuation method and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The valuation models require the input of subjective assumptions, including foreign exchange rates, risk free rates, gold prices, volatility of share price, stock closing price, dividend yield, and expected option life. Changes in subjective input assumptions can materially affect the fair value estimate.

(e) Employee benefits – share-based payments

The determination of the fair value of the share options granted requires estimates in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate for the life of the option and the number of share options that are expected to become exercisable. Where the outcome of the number of options that are exercisable is different, such difference will impact the income statement in the subsequent remaining vesting period of the relevant share options.

(f) Income taxes

The Group is subject to income taxes in Mainland China, Hong Kong and Macau. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 Sales analysis and segment information

(a) Analysis of sales by category

	2008 HK$'000	2007 HK$'000
Sales of goods	**3,407,631**	3,127,026

(b) Business segments

The Group's primary reporting format is business segments. No segment analysis by business segment is presented as the Group principally operates in one business segment, which is the wholesale, trading and retail of gold products, other precious metal products and jewellery products.

(c) Geographical segments

The Group's secondary reporting format is geographical segments. An analysis by geographical segment is as follows:

	2008 HK$'000	2007 HK$'000
Revenue (i)		
Hong Kong/Mainland China	**3,198,572**	2,910,816
South-East Asia	**14,622**	67,362
The United States of America	**122,817**	125,007
Europe	**61,557**	23,583
Others	**10,063**	258
	3,407,631	3,127,026
Segment results		
Hong Kong/Mainland China	**487,824**	214,612
South-East Asia	**985**	3,055
The United States of America	**19,456**	17,049
Europe	**15,410**	5,384
Others	**607**	10
	524,282	240,110

Note:

(i) Revenue by geographical location is determined on the basis of the location of deliveries or the destination of shipments of goods.

No segment information of total assets and capital expenditure by location is presented as all of the Group's assets are mainly located in Hong Kong/Mainland China.

6 Expenses by nature

	2008 HK$'000	2007 HK$'000
Cost of inventories sold	**2,287,055**	2,058,543
Employee benefit expense (including directors' emoluments) (Note 8)	**187,879**	151,433
Advertising and promotion costs	**46,244**	38,901
Operating lease rentals	**135,999**	89,888
Depreciation of property, plant and equipment		
– owned assets	**75,492**	92,737
– assets held under finance lease obligations	**3,137**	1,561
Amortisation of leasehold land	**138**	139
Auditors' remuneration	**3,543**	2,639
Sales commission paid	**90,340**	351,264
Write-downs of inventories to net realisable value	**200**	5,400
Impairment/(reversal of impairment) of receivables	**306**	(5,418)
Other expenses	**111,130**	100,758
Total cost of sales, selling and marketing costs and administrative expenses	**2,941,463**	2,887,845

7 Other gains, net

	2008 HK$'000	2007 HK$'000
Service income	**1,639**	2,169
Net gains on disposal of property, plant and equipment	**367,208**	23,003
Change in fair values on other financial assets at fair value through profit or loss	**176**	101
Change in fair value of gold loan	**(81,147)**	(15,537)
Gains on disposal of other financial assets at fair value through profit or loss	**–**	1
Fair value losses on derivative financial instruments	**(234,575)**	(12,339)
Net exchange gains	**4,466**	2,861
Others	**347**	670
	58,114	929

8 Employee benefit expense

Employee benefit expense, including directors' emoluments, consisted of:

	2008 HK$'000	2007 HK$'000
Salaries, wages, commission and allowances	**174,952**	146,167
Pension costs – contributions to defined contribution plans	**4,319**	5,266
Share-based compensation expense – share options granted	**8,608**	–
	187,879	151,433

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a cap of HK$1,000 per month and thereafter contributions are voluntary.

As stipulated by rules and regulations in Mainland China, the Group contributes to a state-sponsored retirement plan for its employees in Mainland China. The Group's employees make monthly contributions to the plan at approximately 4% of relevant income (comprising salaries, allowances and bonus), while the Group contributed approximately 10% of such income, and has no further obligations for the actual payment of pensions beyond the contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

The Group participates in a retirement scheme for qualified employees of its subsidiary in Macau. Each of the Group (the employer) and its employees make monthly contributions to the scheme at a fixed amount ranging from HK$14 (approximately MOP15) to HK$44 (approximately MOP45). The Group has no further obligations for post-retirement benefits beyond the contributions.

For the year ended 31 March 2008, the amount of the Group's employer contributions to the pension schemes was approximately HK$4,319,000 (2007: HK$5,266,000).

9 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration of every director for the year ended 31 March 2008 is set out below:

Name of director	Fee HK$'000	Salaries, wages, commission and allowances HK$'000	Discretionary bonus HK$'000	Employer's contribution to pension scheme HK$'000	Share-based compensation in respect of share options (i) HK$'000	Total HK$'000
Executive directors						
Dr. Lam Sai Wing	–	7,612	–	12	670	8,294
Ms. Chan Yam Fai, Jane	–	390	–	12	670	1,072
Ms. Ng Yee Mei	–	710	260	12	1,870	2,852
Mr. Yeung Hon Yuen	–	523	44	12	268	847
Mr. Kuang Hao Kun Giovanni	–	508	193	12	988	1,701
Non-executive director						
Mr. Wong Kwong Chi	120	–	–	–	201	321
Independent non-executive directors						
Mr. Lee Kok Keung	120	–	–	–	201	321
Mr. Liu Ngai Wing	120	–	–	–	201	321
Dr. Lui Sun Wing	120	–	–	–	201	321
Mr. Lou Ping Ho	120	–	–	–	201	321
	600	9,743	497	60	5,471	16,371

9 Directors' and senior management's emoluments (continued)

(a) Directors' emoluments (continued)

The remuneration of every director for the year ended 31 March 2007 is set out below:

Name of director	Fee HK$'000	Salaries, wages, commission and allowances HK$'000	Discretionary bonus HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors					
Dr. Lam Sai Wing	–	6,657	2,900	12	9,569
Ms. Chan Yam Fai, Jane	–	376	31	12	419
Ms. Ng Yee Mei (ii)	–	541	55	10	606
Mr. Yeung Hon Yuen (ii)	–	425	43	10	478
Mr. Kuang Hao Kun Giovanni (ii)	–	387	39	10	436
Non-executive director					
Mr. Wong Kwong Chi	100	–	–	–	100
Independent non-executive directors					
Mr. Lee Kok Keung	100	–	–	–	100
Mr. Liu Ngai Wing	100	–	–	–	100
Dr. Lui Sun Wing	100	–	–	–	100
Mr. Lou Ping Ho	100	–	–	–	100
	500	8,386	3,068	54	12,008

Note:

(i) Share-based compensation in respect of share options represents amortisation of the fair value of share options under the share option scheme (Note 24(ii)) measured at the respective grant dates, regardless of whether the share options would be exercised or not.

(ii) Mr. Kuang Hao Kun Giovanni, Ms. Ng Yee Mei and Mr. Yeung Hon Yuen were appointed on 1 June 2006.

During the year ended 31 March 2008, Ms. Chan Yam Fai, Jane did not waive any emoluments (2007: waive of HK$924,000), in respect of her entitlement to salaries and allowances according to service contract. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2007: Nil).

9 Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2007: three) directors, whose emoluments are reflected in the analysis presented above. The emoluments paid/payable to the remaining two (2007: two) individuals were as follows:

	2008 **HK$'000**	2007 HK$'000
Basic salaries and allowances	**1,853**	1,348
Bonus	**924**	77
Contributions to pension scheme	**24**	23
Share-based compensation expense – share options granted	**730**	–
	3,531	1,448

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
– HK$500,001 to HK$1,000,000	**–**	2
– HK$1,000,001 to HK$1,500,000	**1**	–
– HK$2,000,001 to HK$2,500,000	**1**	–

During the year, no emolument was paid or payable to the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil).

10 Finance costs, net

	2008 HK$'000	2007 HK$'000
Interest income on bank deposits	**7,811**	1,866
Interest expense on		
– bank borrowings wholly repayable within five years	**(30,642)**	(53,267)
– gold loan wholly repayable within five years	**(6,574)**	(3,806)
– senior notes wholly repayable after five years	**(59,804)**	–
– convertible bonds (Note 28)	**(9,942)**	(6,901)
– trade payables to suppliers	**(4,654)**	(4,590)
– finance lease obligations	**(266)**	(346)
– interest rate swaps linked to gold price	**(10,195)**	–
	(122,077)	(68,910)
Fair value losses on derivative liability of convertible bonds (Note 28)	**(65,159)**	(45,943)
Net finance costs	**(179,425)**	(112,987)

11 Income tax expense

	2008 HK$'000	2007 HK$'000
Current income tax		
– Hong Kong profits tax	**79,584**	10,279
– Mainland China enterprise income tax	**41**	61
– Macao Complementary (Corporate) Tax	**493**	–
– Underprovision in prior years	**54**	7,359
	80,172	17,699
Deferred taxation (Note 29)	**(39,674)**	25,685
	40,498	43,384

Notes:

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

11 Income tax expense (continued)

(ii) Mainland China enterprise income tax

The subsidiaries established in Shenzhen, Mainland China are subject to Mainland China enterprise income tax at a rate of 15% for the 9 months ended 31 December 2007 and 18% for the 3 months ended 31 March 2008 (year ended 31 March 2007: 15%). Hang Fung Jewellery (Shenzhen) Co., Ltd. was established in May 1998 and it has assessable profit subject to such tax during the year. Shenzhen Kai Hang Jewellery Co., Ltd. was established in September 2004 and had no assessable profit subject to such tax during the year. 3D-Gold Enterprise Development (Shenzhen) Company Limited was established in June 2006 and is entitled to full exemption from enterprise income tax for the year.

(iii) Macao Complementary (Corporate) Tax

Macao Complementary (Corporate) Tax has been provided at a fixed rate of 9% on the estimated assessable profit in excess of HK$196,000 (approximately MOP200,000) and below HK$295,000 (approximately MOP300,000) and a fixed rate of 12% on assessable profit in excess of HK$295,000 (approximately MOP300,000).

(iv) Overseas income taxes

The Company was incorporated in Bermuda and is exempted from taxation in Bermuda until 2016.

(v) During the years ended 31 March 2007 and 2008, the Hong Kong Inland Revenue Department ("IRD") issued protective profits tax assessments of approximately HK$17,312,000 and HK$14,560,000 relating to the years of assessment 2000/01 and 2001/02 respectively, that is, for the financial years ended 31 March 2001 and 2002 against a subsidiary of the Company. The Group lodged objection with the IRD against the protective assessment and is being negotiating with the IRD to resolve the dispute.

The directors of the Company believe that no profits tax is payable by the Group in relation to the protective assessments. The Group has obtained counsel opinion that there are supportive grounds that the tax claimed is not payable. At present, there are uncertainties regarding how the case will be settled. If the dispute is not resolved, this may affect the Group's financial conditions and results of operations.

11 Income tax expense (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits on the group entities as follows:

	2008 HK$'000	2007 HK$'000
Profit before income tax	**344,857**	127,123
Tax calculated at weighted average tax rate applicable to profits generated in the respective countries/places	**60,464**	22,193
Tax effect of income not subject to taxation	**(38,540)**	(3,405)
Tax effect of expenses not deductible for taxation purposes	**7,058**	11,061
Unrecognised tax losses	**11,462**	6,285
Utilisation of previously unrecognised tax losses	**–**	(109)
Underprovision in prior years	**54**	7,359
Income tax expense	**40,498**	43,384

The weighted average applicable tax rate was 17.5% (2007: 17.5%).

12 Profit attributable to equity holders of the Company

The consolidated profit attributable to equity holders of the Company included a profit of approximately HK$90,202,000 (2007: HK$46,026,000) dealt with in the financial statements of the Company.

13 Dividends

	2008 HK$'000	2007 HK$'000
Interim dividend of HK2.8 cents (2007: HK1.5 cents) per ordinary share	**26,614**	11,614
Proposed final dividend of HK4.0 cents (2007: HK4.0 cents) per ordinary share	**38,070**	34,749
Proposed special dividend of HK2.0 cents (2007: Nil) per ordinary share	**19,035**	–
	83,719	46,363

The dividends paid during the year ended 31 March 2008 and 2007 were HK$63,172,000 (HK6.8 cents per share) and HK$34,506,000 (HK4.5 cents per share), respectively. A final dividend and a special dividend in respect of the year ended 31 March 2008 of HK4.0 cents and HK2.0 cents per share, respectively, which will be satisfied by cash, amounting to a total dividend of HK$57,105,000, are to be proposed at the upcoming Annual General Meeting. Such dividends represent HK$57,090,000 for the 951,498,014 shares issued and outstanding as at 31 March 2008 and the additional amount of approximately HK$15,000 for the 244,000 shares issued in April and May 2008 under the Company's employee share options scheme as disclosed in Note 38. These financial statements do not reflect this dividend payable.

14 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit attributable to equity holders of the Company (HK thousands dollar)	**304,359**	83,739
Weighted average number of ordinary shares in issue (thousands)	**896,370**	772,497
Basic earnings per share (HK cents per share)	**34.0**	10.8

14 Earnings per share (continued)

(b) Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the after-tax effects of interest expense and change in fair value on derivative liability. For the share options, calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2008	2007
Profit attributable to equity holders of the Company (HK thousands dollar)	**304,359**	83,739
Weighted average number of ordinary shares in issue (thousands)	**896,370**	772,497
Adjustments for		
– share options (thousands)	**8,932**	674
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**905,302**	773,171
Diluted earnings per share (HK cents per share)	**33.6**	10.8

Note:

(i) As the diluted earnings per share amount for the years ended 31 March 2007 and 2008 were increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share. Therefore, the convertible bonds were ignored in the calculation of diluted earnings per share.

15 Property, plant and equipment

Group

	Buildings HK$'000	Leasehold improvements, furniture and office equipment HK$'000	Machinery, equipment and tools HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2006					
Cost	1,910	797,372	585,543	3,896	1,388,721
Accumulated depreciation	(501)	(152,255)	(505,772)	(2,459)	(660,987)
Net book amount	1,409	645,117	79,771	1,437	727,734
Year ended 31 March 2007					
Opening net book amount	1,409	645,117	79,771	1,437	727,734
Exchange differences	–	116	236	–	352
Additions	–	257,313	667	409	258,389
Depreciation for the year	(96)	(42,807)	(50,820)	(575)	(94,298)
Disposals	–	(52,067)	–	–	(52,067)
Closing net book amount	1,313	807,672	29,854	1,271	840,110
At 31 March 2007					
Cost	1,910	995,897	586,210	4,171	1,588,188
Accumulated depreciation	(597)	(188,225)	(556,356)	(2,900)	(748,078)
Net book amount	1,313	807,672	29,854	1,271	840,110
Year ended 31 March 2008					
Opening net book amount	**1,313**	**807,672**	**29,854**	**1,271**	**840,110**
Exchange differences	**–**	**58**	**(6)**	**–**	**52**
Additions	**–**	**15,252**	**9,030**	**526**	**24,808**
Depreciation for the year	**(96)**	**(59,800)**	**(18,237)**	**(496)**	**(78,629)**
Disposals	**–**	**(358,611)**	**(900)**	**–**	**(359,511)**
Closing net book amount	**1,217**	**404,571**	**19,741**	**1,301**	**426,830**
At 31 March 2008					
Cost	**1,910**	**603,011**	**581,175**	**4,697**	**1,190,793**
Accumulated depreciation	**(693)**	**(198,440)**	**(561,434)**	**(3,396)**	**(763,963)**
Net book amount	**1,217**	**404,571**	**19,741**	**1,301**	**426,830**

15 Property, plant and equipment (continued)

(a) Depreciation expense is analysed as follows:

	2008 HK$'000	2007 HK$'000
Cost of sales	**18,237**	48,376
Administrative expenses	**60,392**	45,922
	78,629	94,298

(b) The Group's interests in buildings are analysed as follows:

	2008 HK$'000	2007 HK$'000
Buildings in Hong Kong, located on land with leases of between 10 to 50 years	**1,217**	1,313

(c) Pledge of assets

Buildings and furniture with an aggregate net book value of approximately HK$72,262,000 (2007: HK$74,471,000) are mortgaged/pledged as collateral for the Group's banking facilities (Note 36).

(d) Finance leases

Certain machinery, equipment and tools were purchased under finance leases (Note 27). Details of these assets were as follows:

	2008 HK$'000	2007 HK$'000
Cost	**5,091**	7,807
Less: accumulated depreciation	**(2,435)**	(4,620)
Net book amount	**2,656**	3,187
Depreciation for the year	**3,137**	1,561

16 Leasehold land

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**5,484**	5,622

Leasehold land with a carrying amount of HK$5,484,000 (2007: HK$5,622,000) was pledged as collateral for the Group's banking facilities (Note 36).

	2008	2007
	HK$'000	HK$'000
Beginning of the year	**5,622**	5,761
Amortisation	**(138)**	(139)
End of the year	**5,484**	5,622

Amortisation of approximately HK$138,000 (2007: HK$139,000) has been charged in administrative expenses.

17 Investments in and due from subsidiaries

(a) Investments in subsidiaries

In the Company's balance sheet, investments in subsidiaries consisted of:

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**158,743**	158,743

17 Investments in and due from subsidiaries (continued)

(a) Investments in subsidiaries (continued)

Details of the principal subsidiaries as at 31 March 2008 are as follows:

Name	Place of incorporation or establishment/ operations	Issued and fully paid capital or registered capital	Percentage of equity interest held (i)	Principal activities
3D-Gold Enterprise Development (Shenzhen) Company Limited (iii)	Mainland China	US$49,000,000	100	Manufacturing and retailing of gold products, other precious metal products and jewellery products
Forever Rich Media Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Advertising and promotion agent of the Group
Gold Ocean Jewellery Company Limited	Macau	MOP500,000	100	Retailing of gold products, other precious metal products and jewellery products
Hang Fung Jewellery Company Limited	Hong Kong	Class A (non- voting) 4 ordinary shares of HK$1 each (ii)	–	Manufacturing and selling of gold products, other precious metal products and jewellery products
		Class B (voting) 2 ordinary shares of HK$1 each	100	
Hang Fung Jewellery (International) Company Limited	Hong Kong	2 ordinary shares of HK$1 each	100	Retailing of gold products, other precious metal products and jewellery products
Hang Fung Jewellery (Shenzhen) Co., Ltd. (iii)	Mainland China	HK$25,000,000	100	Manufacturing of gold products, other precious metal products and jewellery products

17 Investments in and due from subsidiaries (continued)

(a) Investments in subsidiaries (continued)

Name	Place of incorporation or establishment/ operations	Issued and fully paid capital or registered capital	Percentage of equity interest held (i)	Principal activities
Kai Hang Jewellery Company Limited	Hong Kong	Class A (non-voting) 10,002 ordinary shares of HK$1 each (ii)	–	Property holding and selling of gold products, other precious metal products and jewellery products
		Class B (voting) 2 ordinary shares of HK$1 each	100	
Macadam Profits Limited	British Virgin Islands/ Hong Kong	2 ordinary shares of US$1 each	100	Investment holding

Notes:

(i) The shares of Macadam Profits Limited are held directly by the Company. The shares of other subsidiaries are held indirectly by the Company.

(ii) The Class A (non-voting) ordinary shares have no voting rights, are not entitled to dividends unless dividends paid to holders of Class B (voting) ordinary shares exceed HK$900,000,000,000 in a financial year, and are not entitled to distribution of the companies' assets unless each Class B (voting) ordinary shareholder has been returned its paid-up capital together with a premium of HK$900,000,000,000.

(iii) Hang Fung Jewellery (Shenzhen) Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 30 years up to 2028. 3D-Gold Enterprise Development (Shenzhen) Company Limited is a foreign invested commercial enterprise established in Mainland China to be operated for 30 years up to 2036.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2008 (2007: Nil).

(b) Due from a subsidiary

At 31 March 2008, the amount due from a subsidiary of approximately HK$1,283,371,000 (2007: Nil) is unsecured and repayable on demand, and bears interest at 9.25% per annum. The remaining balance of the amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand.

18 Inventories

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**293,699**	150,422
Work-in-progress	**576,516**	309,413
Finished goods	**1,079,885**	688,466
	1,950,100	1,148,301

The Group has made an additional inventory provision of approximately HK$200,000 (2007: HK$5,400,000) for the year ended 31 March 2008. Such provision has been included in cost of sales in the income statement.

Certain inventories were held under trust receipts bank loan arrangements (Note 36).

19 Trade receivables

	Group	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**911,709**	458,119
Bills receivable	**1,531**	–
	913,240	458,119
Less: provision for impairment of trade receivables	**(3,683)**	(3,377)
	909,557	454,742

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The carrying amounts of trade receivables approximate their fair values as at 31 March 2008.

19 Trade receivables (continued)

Retail sales are usually made in cash, through credit cards or through reputable and dispersed department stores. Majority of trade receivables are with wholesales customers having an appropriate credit history and at credit terms of 30 to 120 days. Most of the Group's wholesales are on open account, while sales made to a small number of customers are covered by letter of credit issued by banks or settled by documents against payment issued by banks. The ageing analysis (from date of invoice) of trade receivables is as follows:

	2008 **HK$'000**	2007 HK$'000
0 to 90 days	**551,186**	392,863
91 to 180 days	**321,767**	62,412
Over 180 days	**40,287**	2,844
	913,240	458,119

Trade receivables that are less than 90 days past due are generally not considered impaired. As at 31 March 2008, trade receivables of HK$4,641,000 (2007: HK$54,000) were more than 90 days past due but considered not to be impaired. These relate to a number of independent customers for whom there is no recent history of default. The past due ageing analysis of these trade receivables is as follows:

	2008 **HK$'000**	2007 HK$'000
0 to 90 days	**200,785**	15,785
91 to 180 days	**4,543**	–
Over 180 days	**98**	54
	205,426	15,839

As at 31 March 2008, trade receivables of approximately HK$3,683,000 (2007: HK$3,377,000) were impaired and have been fully provided for. The individually impaired receivables relate to a number of customers which are in unexpected difficult economic situations. The past due ageing of these receivables is as follows:

	2008 **HK$'000**	2007 HK$'000
0 to 90 days	**2,865**	1,873
91 to 180 days	**–**	361
Over 180 days	**818**	1,143
	3,683	3,377

19 Trade receivables (continued)

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

	2008 HK$'000	2007 HK$'000
Beginning of the year	**3,377**	8,795
Provision for receivable impairment	**2,865**	–
Unused amounts reversed	**(2,559)**	(5,418)
End of the year	**3,683**	3,377

The creation and release of provision for impaired receivables have been included in administrative expense in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

	2008 HK$'000	2007 HK$'000
Hong Kong Dollar	**835,187**	411,190
United States Dollar	**11,067**	9,983
Chinese Renminbi	**66,986**	36,946
	913,240	458,119

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

20 Prepayments, deposits and other receivables

	Group	
	2008	2007
	HK$'000	HK$'000
Prepayments	**11,949**	13,102
Deposits	**63,291**	29,955
Value-added tax recoverable	**37,181**	2,652
Other receivables	**513,156**	50,227
	625,577	95,936

The carrying amounts of prepayments, deposits and other receivables approximate their fair values as at 31 March 2008.

The Group's prepayments, deposits and other receivables do not contain impaired assets. The credit quality of prepayments, deposits and other receivables has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

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

	2008	2007
	HK$'000	HK$'000
Hong Kong Dollar	**494,725**	79,509
United States Dollar	**44,946**	12,922
Chinese Renminbi	**85,870**	3,467
Other currencies	**36**	38
	625,577	95,936

21 Derivative financial instruments

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
Forward foreign exchange contracts – held for trading (ii)	**–**	705	**–**	–
Trading of gold and silver (iii)	**–**	272	**–**	–
Currency swap (iv)	**5,942**	–	**–**	–
	5,942	977	**–**	–
Liabilities				
Interest rate swaps (i)	**(1,450)**	(4,431)	**–**	–
Trading of gold and silver (iii)	**(7,337)**	(12,964)	**–**	–
Derivative component of convertible bonds (Note 28)	**(47,278)**	(56,573)	**(47,278)**	(56,573)
Currency swap (iv)	**(23,980)**	–	**–**	–
Interest rate swaps linked to gold price (v)	**(99,294)**	–	**–**	–
	(179,339)	(73,968)	**(47,278)**	(56,573)

Notes:

(i) Interest rate swaps

The notional principal amount of the outstanding interest rate swap contracts at 31 March 2008 was HK$600,000,000 (2007: HK$352,500,000). At 31 March 2008, the fixed interest rate was 5.1% per annum (2007: from 4.21% to 5.1% per annum) and the floating rate was Hong Kong Interbank Offered Rate plus 0.49%.

(ii) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2007 were HK$246,860,000. These forward foreign exchange contracts were matured during the year ended 31 March 2008.

(iii) Trading of gold and silver

The notional principal amounts of the outstanding trade amount of gold and silver at 31 March 2008 were approximately HK$488,164,000 (2007: HK$270,276,000).

(iv) Currency swaps

The Group receives principals denominated in United States Dollars and fixed-rate interests at 9.25% per annum, and pays principals denominated in Chinese Renminbi and fixed-rate interests ranging from 3.50% to 6.20% per annum. The notional principal amounts of the outstanding currency swaps at 31 March 2008 were approximately HK$1,082,743,000 (2007: Nil).

21 Derivative financial instruments (continued)

(v) Interest rate swaps linked to gold price

The notional principal amounts of the outstanding interest rate swaps linked to gold price at 31 March 2008 were approximately HK$780,000,000 (2007: Nil). The amount of interest payable by the Group is determined by the market gold price and is limited to 25% of the notional principal amounts.

The credit quality of derivative financial instruments has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

22 Other financial assets at fair value through profit or loss

	Group	
	2008	2007
	HK$'000	HK$'000
Unlisted investments in Hong Kong	**3,834**	3,658

As at 31 March 2008, other financial assets at fair value through profit or loss of approximately HK$3,834,000 (2007: HK$3,658,000) were pledged as collateral for the Group's banking facilities (Note 36).

The credit quality of financial assets has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

23 Pledged bank deposits/cash and cash equivalents

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**391,750**	193,103	**681**	171
Short-term bank deposits	**189,810**	–	**–**	–
	581,560	193,103	**681**	171
Pledged bank deposits	**54,961**	60,628	**–**	–
	636,521	253,731	**681**	171

As at 31 March 2008, bank deposits of HK$54,961,000 (2007: HK$60,628,000) were pledged as collateral for the Group's banking facilities (Note 36).

23 Pledged bank deposits/cash and cash equivalents (continued)

The effective interest rate on pledged bank deposits was 2.1% per annum (2007: 4.2% per annum), these deposits have an average maturity of 91 days (2007: 91 days).

Cash at bank earned interest at floating rates based on daily bank deposit rates.

As at 31 March 2008, the effective interest rate on short-term bank deposits was 2.0% per annum, these deposits have an average maturity of 21 days.

As at 31 March 2008, pledged bank deposits and cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar	**325,224**	200,478	**681**	171
United States Dollar	**135,286**	28,017	**–**	–
Chinese Renminbi	**175,642**	25,075	**–**	–
Other currencies	**369**	161	**–**	–
	636,521	253,731	**681**	171

As at 31 March 2008, bank deposits of approximately HK$175,642,000 (2007: HK$25,075,000) were denominated in Chinese Renminbi, which is not a freely convertible currency in the international market and its exchange rate is determined by the PRC Government.

As at 31 March 2008, bank deposits of approximately HK$175,581,000 (2007: HK$25,067,000) are placed in Mainland China. The remittance of these funds out of Mainland China is subject to exchange control restrictions imposed by the PRC Government.

The credit quality of pledged bank deposits, cash at bank and short-term bank deposits has been assessed by reference to external credit ratings (if available) or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

24 Share capital

	2008		2007	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	**HK$'000**	'000	HK$'000
Authorised ordinary shares:				
Beginning and end of year	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid ordinary shares:				
Beginning of the year	**818,260**	**81,826**	763,066	76,307
Issue of shares				
– scrip dividend (i)	**–**	**–**	11,180	1,118
– exercise of employee share options (ii)	**18,802**	**1,880**	–	–
– conversion of convertible bonds (iii)	**114,436**	**11,444**	44,014	4,401
End of the year	**951,498**	**95,150**	818,260	81,826

Notes:

(i) Scrip dividend

With respect to the final dividend for the year ended 31 March 2006, the Company offered to its shareholders a scrip dividend alternative under which the shareholders could elect to receive new ordinary share in lieu of a cash dividend. Details of ordinary shares of HK$0.1 each issued by the Company in lieu of cash dividends are as follows:

	Number of share issued	**Nominal value of shares issued**	**Premium on shares issued**	**Total scrip dividend**
		HK$'000	HK$'000	HK$'000
2005/2006 final dividend	11,180,018	1,118	9,391	10,509

24 Share capital (continued)

(ii) Share option

Effective from August 2002, the Company has adopted a new employee share option scheme (the "New Scheme") and terminated the old employee share option scheme adopted in 1999 (the "Old Scheme"). Under the New Scheme, the Company may grant options to the Group's employees (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 30% of the nominal value of the issued share capital of the Company from time to time excluding for this purpose any shares issued on the exercise of options. The exercise price will be determined by the Company's board of directors and shall at least be the highest of (i) the closing price of the Company's shares on the date of grant of the options, (ii) an average closing price of the Company's shares for the five trading days immediately preceding the date of grant of the options, and (iii) the nominal value of the Company's shares of HK$0.1 each. All options granted under the Old Scheme will continue to be valid and exercisable in accordance with the rules of the Old Scheme.

The Old Scheme was adopted on 27 February 1999 and was terminated on 28 August 2002. The New Scheme was effective on 28 August 2002.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2008		2007	
	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$	Number of share options
Beginning of the year	1.27	57,560,330	1.27	57,560,330
Granted	1.46	34,050,000	–	–
Exercised	1.07	(18,801,599)	–	–
End of the year	1.41	72,808,731	1.27	57,560,330
Exercisable at end of the year	1.38	54,356,731	1.27	57,560,330

During the year ended 31 March 2008, the Company granted a total of 34,050,000 options under the New Scheme to certain directors and employees for shares in the Company at prices ranging from HK$1.27 to HK$1.88 per share. These options are vested according to a pre-determined schedule over a maximum of two years and will expire on 27 August 2012. The Group has no legal or constructive obligation to repurchase or settle these options in cash.

During the year ended 31 March 2008, a total of 18,801,599 share options were exercised (2007: Nil), with total proceeds of approximately HK$20,185,000 (2007: Nil). The weighted average market price at the time of exercise was HK$1.57 per share (2007: Nil).

24 Share capital (continued)

(ii) Share option (continued)

At 31 March 2008, there were 34,725,962 (2007: 47,754,808) options and 38,082,769 (2007: 9,805,522) options outstanding which are exercisable subject to the terms of the Old Scheme and the New Scheme, respectively.

Share options outstanding at 31 March 2008 have the following expiry dates and exercise prices:

		Share options	
Year of expiry	**Exercise price** HK$	**2008 Number of share options**	2007 Number of share options
2009	1.08	**12,696,154**	25,725,000
2009	1.48	**22,029,808**	22,029,808
2012	0.85	**–**	3,424,753
2012	1.56	**6,380,769**	6,380,769
2012	1.27	**9,470,000**	–
2012	1.31	**4,800,000**	–
2012	1.60	**16,732,000**	–
2012	1.88	**700,000**	–
		72,808,731	57,560,330

The fair values of the options granted during the year ended 31 March 2008 were determined using the Binomial Option Pricing Model. The details of fair values and significant inputs into the Binomial Option Pricing Model were as follows:

Grant date	18 April 2007	29 May 2007	13 November 2007	20 December 2007	2 January 2008
Number of options granted ('000)	3,500	4,800	7,650	17,400	700
Fair value per share option (HK$)	0.30	0.40	0.31	0.47	0.54
Total fair value (HK$'000)	1,064	1,920	2,345	8,141	376
Share price at the grant date (HK$)	1.27	1.31	1.26	1.60	1.88
Exercise price per share	1.27	1.31	1.27	1.60	1.88
Standard deviation of expected share price returns	37.4%	37.4%	42.0%	42.0%	54.0%
Expected life of options (years)	5.4	5.2	4.8	4.7	4.7
Expected dividend paid out rate	3.5%	3.5%	3.5%	3.5%	3.5%
Annual risk-free rate	4.1%	4.3%	2.9%	2.9%	3.0%

The share option cost charged to the income statement during the year ended 31 March 2008 was approximately HK$8,608,000 (2007: Nil).

24 Share capital (continued)

(iii) Conversion of convertible bonds

As detailed in Note 28, the Company issued 3% coupon convertible bonds with an aggregate principal amount of HK$240 million on 22 November 2006. During the year ended 31 March 2008, holders of the convertible bonds with face value of HK$130 million (2007: HK$50 million) exercised their option to convert the bonds into shares of the Company by subscribing for 114,436,615 (2007: 44,014,083) new shares of the Company at HK$1.136 (2007: HK$1.136) each.

The shares issued arising from (i) to (iii) above rank pari passu with the existing shares.

25 Reserves

Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Share-based payment reserve HK$'000	Statutory reserve (i) HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2006	281,665	7,016	72,409	–	–	–	690,422	1,051,512
Currency translation differences	–	–	–	2,408	–	–	–	2,408
Profit attributable to Company's equity holders	–	–	–	–	–	–	83,739	83,739
Issue of shares								
– in lieu of dividend (Note 24(i))	9,391	–	–	–	–	–	–	9,391
– conversion of convertible bonds (Note 28)	58,429	–	–	–	–	–	–	58,429
2005/2006 final dividend	–	–	–	–	–	–	(22,892)	(22,892)
2006/2007 interim dividend	–	–	–	–	–	–	(11,614)	(11,614)
At 31 March 2007	349,485	7,016	72,409	2,408	–	–	739,655	1,170,973
Currency translation differences	–	–	–	21,697	–	–	–	21,697
Profit attributable to Company's equity holders	–	–	–	–	–	–	304,359	304,359
Conversion of convertible bonds (Note 28)	176,878	–	–	–	–	–	–	176,878
Share option scheme								
– value of services (Note 24(ii))	–	–	–	–	8,608	–	–	8,608
– proceeds from issue of shares (Note 24(ii))	18,763	–	–	–	(458)	–	–	18,305
Net investment hedge	–	–	–	(12,950)	–	–	–	(12,950)
2006/2007 final dividend	–	–	–	–	–	–	(36,558)	(36,558)
2007/2008 interim dividend	–	–	–	–	–	–	(26,614)	(26,614)
Transfer to statutory reserve	–	–	–	–	–	1,192	(1,192)	–
At 31 March 2008	545,126	7,016	72,409	11,155	8,150	1,192	979,650	1,624,698
Representing:								
Proposed 2007/2008 final and special dividends							57,105	
Others							922,545	
							979,650	

25 Reserves (continued)

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus (ii) HK$'000	Share-based payment reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2006	281,665	7,016	231,010	–	26,252	545,943
Issue of shares				–		
– in lieu of dividend (Note 24(i))	9,391	–	–	–	–	9,391
– conversion of convertible bonds (Note 28)	58,429	–	–	–	–	58,429
Profit for the year	–	–	–	–	46,026	46,026
2005/2006 final dividend	–	–	–	–	(22,892)	(22,892)
2006/2007 interim dividend	–	–	–	–	(11,614)	(11,614)
At 31 March 2007	349,485	7,016	231,010	–	37,772	625,283
Conversion of convertible bonds (Note 28)	176,878	–	–	–	–	176,878
Profit for the year	–	–	–	–	90,202	90,202
Share option scheme						
– value of services (Note 24(ii))	–	–	–	8,608	–	8,608
– proceeds from issue of shares (Note 24(ii))	18,763	–	–	(458)	–	18,305
2006/2007 final dividend	–	–	–	–	(36,558)	(36,558)
2007/2008 interim dividend	–	–	–	–	(26,614)	(26,614)
At 31 March 2008	545,126	7,016	231,010	8,150	64,802	856,104
Representing:						
Proposed 2007/2008 final and special dividends					57,105	
Others					7,697	
					64,802	

Notes:

(i) As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of the after-tax profits (after offsetting prior year losses) to the general reserve and the enterprise expansion fund, at rates determined by the respective boards of directors. The general reserve can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. During the year ended 31 March 2008, approximately HK$1,192,000 was appropriated to the general reserve and the enterprise expansion fund.

25 Reserves (continued)

Notes: (continued)

(ii) The contributed surplus of the Company represents the difference between the nominal amount of the Company's shares issued and the book value of the underlying net assets of the subsidiaries acquired as a result of a group reorganisation in 1999, and share premium transferred following a shareholders' resolution passed in 2002. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) 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.

26 Long-term borrowings

	Group		Company	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Bank borrowings	**92,620**	508,686	**–**	–
Senior notes	**1,279,279**	–	**1,279,279**	–
	1,371,899	508,686	**1,279,279**	–
Less: amounts repayable within one year included under current liabilities	**(32,060)**	(223,569)	**–**	–
	1,339,839	285,117	**1,279,279**	–

The Company issued senior notes with face value of US$170,000,000 (equivalent to HK$1,326,000,000) in October 2007. The notes bear interest at 9.25% per annum and will mature in October 2014. The notes are listed on The Singapore Exchange and Securities Trading Limited (the "Singapore Exchange"). At 31 March 2008, the fair value of the senior notes was approximately HK$1,034,280,000, which was determined by reference to the closing price of the notes quoted on the Singapore Exchange at that date.

As at 31 March 2008, the fair value of long-term bank borrowings was approximately HK$91,048,000 (2007:HK$503,828,000), which was based on the estimated cash flows discounted using the Group's effective interest rate of long-term bank borrowings of 11.0% per annum (2007: 5.5% per annum). Details of the Group's banking facilities are set out in Note 36.

All long-term bank borrowings were subject to interest-rate changes and contractual repricing within one year.

26 Long-term borrowings (continued)

The long-term borrowings are repayable as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts repayable				
– Within one year	**32,060**	223,569	**–**	–
– In the second year	**20,746**	282,907	**–**	–
– In the third to fifth years	**39,814**	2,210	**–**	–
Wholly repayable within five years	**92,620**	508,686	**–**	–
Over five years	**1,279,279**	–	**1,279,279**	–
	1,371,899	508,686	**1,279,279**	–
Less: amounts repayable within one year included under current liabilities	**(32,060)**	(223,569)	**–**	–
	1,339,839	285,117	**1,279,279**	–

The long-term borrowings are denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Dollar	**22,420**	508,686	**–**	–
United States Dollar	**1,349,479**	–	**1,279,279**	–
	1,371,899	508,686	**1,279,279**	–

27 Finance lease obligations

The present value of the Group's finance lease obligations is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**2,545**	1,504

The Group's finance lease obligations are repayable as follows:

	2008	2007
	HK$'000	HK$'000
Total minimum lease payments under finance leases repayable within one year	**2,603**	1,535
Less: future finance charges	**(58)**	(31)
	2,545	1,504

The finance lease obligations are denominated in Hong Kong dollars. The carrying amounts of finance lease liabilities approximate their fair values.

As at 31 March 2008, the effective interest rate of the Group's finance lease obligations was 4.2% per annum (2007: 6.6% per annum).

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessors in the event of default. The net book amount of the leased assets is approximately HK$2,656,000 (2007: HK$3,187,000). The finance lease obligations are additionally secured by corporate guarantees provided by the Company of HK$2,545,000 (2007: HK$1,365,000) (Note 35).

28 Convertible bonds

On 22 November 2006, the Company issued 3% coupon convertible bonds of HK$240,000,000 at par. Each bond will, at the option of the holder, be convertible on and after 4 December 2006 up to 11 November 2011 into fully paid ordinary shares with a par value of HK$0.10 each of the Company at an initial conversion price of HK$1.136 per share. Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 117.2% of the principal amount with accrued interest on 22 November 2011.

In lieu of delivery of some or all of the shares required to be delivered upon the exercise of a conversion right, the Company may elect to make a cash settlement payment in respect of all or any portion of a holder's bonds deposited for conversion.

28 Convertible bonds (continued)

The cash settlement amount is determined as the product of (i) the number of shares otherwise deliverable upon exercise of the conversion right in respect of the bonds to which the conversion notice applies, and in respect of which the Company has elected the cash settlement option and (ii) the arithmetic average of the volume average price of the Company's shares on The Stock Exchange of Hong Kong Limited for each day during the 14 trading days immediately after the cash settlement notice date.

The initial carrying amount of the liability component of convertible bonds is the amount after deducting the fair value of embedded derivatives. The liability component is subsequently carried at amortised cost.

The movements in convertible bonds are analysed as follows:

	Group and Company			
	Face value HK$'000	**Liability component** HK$'000	**Derivative component** HK$'000	**Total** HK$'000
At 1 April 2006	–	–	–	–
Additions	240,000	209,099	30,901	240,000
Transaction costs	–	(10,300)	–	(10,300)
Conversion into ordinary shares (Note 24(iii))	(50,000)	(42,559)	(20,271)	(62,830)
Fair value loss on derivative liability of convertible bonds (Note 10)	–	–	45,943	45,943
Interest expense (Note 10)	–	6,901	–	6,901
At 31 March 2007	190,000	163,141	56,573	219,714
Conversion into ordinary shares (Note 24(iii))	(130,000)	(113,868)	(74,454)	(188,322)
Fair value loss on derivative liability of convertible bonds (Note 10)	–	–	65,159	65,159
Interest expense (Note 10)	–	9,942	–	9,942
Interest paid	–	(4,248)	–	(4,248)
At 31 March 2008	60,000	54,967	47,278	102,245

During the year ended 31 March 2008, bonds with face value of HK$130 million (2007: HK$50 million) were converted into 114,436,615 (2007: 44,014,083) ordinary shares of the Company at a conversion price of HK$1.136 (2007: HK$1.136) each.

28 Convertible bonds (continued)

The fair values of the derivative liability of the convertible bonds at inception, each conversion dates and year-end dates were calculated using the Binomial model with the major inputs as follows:

	Share price	Exercise price	Volatility	Dividend paid out rate	Annual risk-free rate
At 22 November 2006	1.05	1.136	30%	3.5%	3.8%
Conversion:					
At 27 February 2007	1.65	1.136	30%	3.5%	4.0%
At 31 March 2007	1.46	1.136	30%	3.5%	4.0%
Conversions					
At 11 April 2007	1.18	1.136	33%	3.5%	4.0%
At 11 June 2007	1.71	1.136	39%	3.5%	4.6%
At 20 July 2007	1.56	1.136	38%	3.5%	4.6%
At 15 August 2007	1.38	1.136	42%	3.5%	4.3%
At 11 January 2008	2.35	1.136	53%	3.5%	2.7%
At 17 January 2008	1.96	1.136	54%	3.5%	2.3%
At 31 March 2008	2.21	1.136	58%	3.5%	1.7%

As the Binomial model requires the input of highly subjective assumptions, including the volatility of share price, change in subjective input assumptions can materially affect the fair value estimate.

During the year ended 31 March 2008, the share price of the Company rose significantly, the fair value of derivative liability of the convertible bonds increased accordingly, resulting in a fair value loss of approximately HK$65,159,000 (2007: HK$45,943,000), which was recognised in the income statement.

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 10.45% per annum (2007: 10.45% per annum) to the liability component. Should the aforesaid embedded derivative not be separated and the entire bonds be considered as the liability component, the effective interest rate would have been 14.0% per annum (2007: 14.0% per annum).

The fair values of liability components of convertible bonds approximate their carrying values.

29 Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2007: 17.5%).

The movement on the deferred income tax account is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Beginning of the year	**66,232**	40,547
Recognised in the income statement (Note 11)	**(39,674)**	25,685
End of the year	**26,558**	66,232

The movements in deferred tax assets and liabilities prior to offsetting of balances within the same taxation jurisdiction were as follows:

Deferred tax assets

	Provisions		Decelerated tax depreciation		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**(2,422)**	(1,391)	**(240)**	–	**(2,662)**	(1,391)
Recognised in the income statement	**718**	(1,031)	**240**	(240)	**958**	(1,271)
End of the year	**(1,704)**	(2,422)	**–**	(240)	**(1,704)**	(2,662)

29 Deferred taxation (continued)

Deferred tax liabilities

	Accelerated tax depreciation	
	2008	2007
	HK$'000	HK$'000
Beginning of the year	**68,894**	41,938
Recognised in the income statement	**(40,632)**	26,956
End of the year	**28,262**	68,894

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$28,367,000 (2007: HK$16,905,000) in respect of losses amounting to approximately HK$162,097,000 (2007: HK$96,602,000), which are subject to agreement by relevant tax authority, to carry forward against future taxable income. All unrecognised tax losses can be carried forward indefinitely.

30 Trade payables

The ageing analysis of trade payables is as follows:

	2008	2007
	HK$'000	HK$'000
0 to 90 days	**368,846**	144,892
91 to 180 days	**13,040**	7,960
Over 180 days	**10,382**	6,700
	392,268	159,552

As at 31 March 2008, trade payables of approximately HK$25,443,000 (2007: HK$22,607,000) were subject to interest. The effective interest rate of the interests to suppliers as at the balance sheet date was 4.9% per annum (2007: 2.9% per annum).

30 Trade payables (continued)

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2008 HK$'000	2007 HK$'000
Hong Kong Dollar	**89,552**	122,057
United States Dollar	**238,786**	33,342
Chinese Renminbi	**63,907**	3,301
Other currencies	**23**	852
	392,268	159,552

The carrying amounts of trade payables approximate their fair values as at 31 March 2008.

31 Accruals and other payables

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Deposits from customers	**81,745**	17,111	**–**	–
Accruals				
– employee benefit expense	**16,671**	15,997	**–**	–
– interest expense	**58,290**	1,954	**56,558**	–
– others	**12,503**	5,648	**697**	162
Other payables	**2,723**	3,150	**–**	–
	171,932	43,860	**57,255**	162

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

	Group		Company	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Hong Kong Dollar	**64,270**	41,364	**697**	162
United States Dollar	**56,558**	–	**56,558**	–
Chinese Renminbi	**51,104**	2,496	**–**	–
	171,932	43,860	**57,255**	162

The carrying amounts of accruals and other payables approximate their fair values as at 31 March 2008.

32 Short-term bank borrowings

	2008 HK$'000	2007 HK$'000
Trust receipts bank loans	**173,288**	116,180
Gold loan	**394,736**	246,402
Other short-term bank loans	**–**	163,000
	568,024	525,582

The effective interest rate of short-term bank borrowings as at 31 March 2008 was 3.1% per annum (2007: 6.1% per annum). Refer to Note 36 for details of the Group's banking facilities.

The carrying amounts of short-term bank borrowings approximate their fair values as at 31 March 2008. All these bank borrowings are denominated in Hong Kong dollars except for the gold loan, which is denominated in the weight of gold.

As at 31 March 2008, gold loan with carrying amount of approximately HK$394,736,000 (2007: HK$246,402,000) is designated as a hedging instrument to hedge the price risk of certain inventories.

33 Notes to the consolidated cash flow statement

(a) Cash (used in)/generated from operations:

	2008 **HK$'000**	2007 HK$'000
Profit before income tax	**344,857**	127,123
Adjustment for:		
– Depreciation of property, plant and equipment	**78,629**	94,298
– Amortisation of leasehold land	**138**	139
– Gain on sale of property, plant and equipment	**(367,208)**	(23,003)
– Share-based compensation expense	**8,608**	–
– Change in fair value of other financial assets at fair value through profit or loss	**(176)**	(101)
– Gains on disposal of other financial assets at fair value through profit or loss	**–**	(1)
– Fair value losses on derivative financial instruments	**96,751**	17,143
– Change in fair value of gold loan	**81,147**	15,537
– Finance costs, net	**179,425**	112,987
– Effect of foreign exchange rate changes	**21,645**	2,056
	443,816	346,178
Changes in working capital:		
– Increase in inventories	**(777,567)**	(251,836)
– Increase in trade receivables	**(454,815)**	(51,475)
– Increase in prepayments, deposits and other receivables	**(68,090)**	(8,430)
– Increase in trade payables	**232,716**	16,571
– Increase in accruals and other payables	**128,072**	3,922
Cash (used in)/generated from operations	**(495,868)**	54,930

33 Notes to the consolidated cash flow statement (continued)

(b) In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2008 HK$'000	2007 HK$'000
Net book amount	**359,511**	52,067
Gain on sale of property, plant and equipment	**367,208**	23,003
Considerations from sale of property, plant and equipment	**726,719**	75,070
Representing:		
– Proceeds already received in cash at year end	**265,168**	25,074
– Amount due from the buyer at year end (included in other receivables)	**461,551**	49,996
	726,719	75,070

(c) Major non-cash transactions:

(i) During the year ended 31 March 2008, HK$130,000,000 (2007: HK$50,000,000) convertible bonds were converted into 114,436,615 (2007: 44,014,083) ordinary shares of HK$0.10 each of the Company.

(ii) During the year ended 31 March 2008, the Group entered into finance lease arrangements in respect of machinery with a capital value at the inception of the leases of approximately HK$5,091,000 (2007: Nil).

34 Operating lease commitments

The Group leases various retail shops, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Within one year	**61,592**	59,336	**–**	–
In the second to fifth years	**31,714**	68,739	**–**	–
	93,306	128,075	**–**	–

34 Operating lease commitments (continued)

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying pre-determined percentages to future sales less the basic rentals of the respective leases, as it is not possible to determine in advance the amount of such additional rentals.

35 Guarantees

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for banking facilities of the Company's subsidiaries	**–**	–	**1,605,600**	1,078,763
Guarantees for finance lease obligations of the Company's subsidiaries	**–**	–	**2,545**	1,365
	–	–	**1,608,145**	1,080,128

36 Banking facilities and pledge of assets

As at 31 March 2008, the Group had aggregate banking facilities of approximately HK$884,130,000 (2007: HK$1,265,133,000) from various banks for overdrafts, loans and trade financing. Unused facilities as at the same date amounted to approximately HK$271,322,000 (2007: HK$186,371,000). These facilities were secured by:

(i) mortgages/pledge of the Group's leasehold land, buildings and furniture with an aggregate net book value of approximately HK$77,746,000 (2007: HK$80,093,000) (Notes 15 and 16);

(ii) pledges of the Group's financial assets of approximately HK$3,834,000 (2007: HK$3,658,000) (Note 22);

(iii) pledges of the Group's bank deposits of approximately HK$54,961,000 (2007: HK$60,628,000) (Note 23);

(iv) certain inventories of the Group were held under trust receipts bank loan arrangements (Note 18);

(v) assignment of the benefits in respect of a keyman insurance of Dr. Lam Sai Wing, a director of the Company, amounting to HK$78,500,000 (2007: HK$78,500,000) (Note 37); and

(vi) guarantees provided by the Company of approximately HK$1,605,600,000 (2007: HK$1,078,763,000) (Note 35).

36 Banking facilities and pledge of assets (continued)

In addition, the Group has agreed with certain banks to comply with certain restrictive financial covenants in respect of the banking facilities granted.

37 Related party transactions

As at 31 March 2008, the Group is controlled by Dr. Lam Sai Wing via:

(i) 10.7% direct interests in the Company;

(ii) Quality Prince Limited (incorporated in the British Virgin Islands), which owns 18.75% of the Company's shares. Dr. Lam Sai Wing is deemed to be interested in all shares in the Company held by Quality Prince Limited; and

(iii) Allglobe Holdings Limited (incorporated in the British Virgin Islands), which owns 6.25% of the Company's shares. Allglobe Holdings Limited is wholly-owned by Dr. Lam Sai Wing.

The following transactions were carried out with related parties during the year:

(a) Rental paid to related parties

	2008 HK$'000	2007 HK$'000
Operating lease rentals paid to related parties which are beneficially owned by directors of the Company	**4,941**	4,705

In the opinion of the Company's directors and the Group's management, the above transactions were carried out in the usual course of business of the Group, and in accordance with terms of the contracts entered into by the Group and the related parties.

(b) The Group's banking facilities are secured by assignment of the benefits in respect of a keyman insurance of Dr. Lam Sai Wing amounting to HK$78,500,000 (2007: HK$78,500,000) (Note 36).

(c) Certain subsidiaries have provided guarantees to the Company to secure the senior notes with face value of US$170,000,000 (equivalent to HK$1,326,000,000) issued by the Company in October 2007 (Note 26).

37 Related party transactions (continued)

(d) Key management compensation

	2008 HK$'000	2007 HK$'000
Basic salaries and allowances	**14,341**	14,362
Contributions to pension scheme	**132**	120
Share-based compensation expense – share options granted	**5,551**	–
	20,024	14,482

38 Events after the balance sheet date

In April and May 2008, 244,000 shares of the Company were issued for approximately HK$310,000 under the Company's employee share options scheme.

Corporate Information

Auditor
PricewaterhouseCoopers
Certified Public Accountants

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1 Queen's Road Central
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Bermuda Principal Share Registrar and Transfer Office
Butterfield Corporate Services Limited
Rosebank Centre
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Hong Kong Branch Share Registrar and Transfer Office
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Chan Yam Fai, Jane *(Deputy Chairman)*
Ng Yee Mei
Yeung Hon Yuen
Kuang Hao Kun, Giovanni

Non-Executive Director
Wong Kwong Chi

Independent Non-Executive Directors
Lee Kok Keung
Liu Ngai Wing
Lui Sun Wing
Lou Ping Ho

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