Man Sang International Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2006

Stock Code: 938

The Ultimate Name in Pearls

The Board of Directors of Man Sang International Limited (the "Company") is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended September 30, 2006. The results have been reviewed by the Company's audit committee and by the Company's auditors, Moores Rowland Mazars, in accordance with the Hong Kong Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.

Moores Rowland Mazars

摩斯倫・馬賽會計師事務所

Chartered Accountants
Certified Public Accountants

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

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 02 to 14.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended September 30, 2006.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants

Hong Kong, November 14, 2006

Condensed Consolidated Income Statement

For the six months ended September 30

	Notes	**2006** **HK$'000** **(unaudited)**	2005 HK$'000 (unaudited) (Restated)
Turnover	3	**193,332**	211,867
Cost of sales		**(133,675)**	(153,260)
Gross profit		**59,657**	58,607
Investment income		**4,077**	2,621
Net unrealized gain on financial assets at fair value through profit or loss		**172**	1,485
Other operating income		**2,396**	2,417
Selling expenses		**(5,347)**	(4,457)
Administrative expenses		**(33,744)**	(31,741)
Profit before taxation	4	**27,211**	28,932
Taxation	5	**(2,487)**	(4,941)
Net profit for the period		**24,724**	23,991
Earnings per share	7		
— Basic		**2.47 cents**	2.40 cents
— Diluted		**2.45 cents**	N/A

Condensed Consolidated Balance Sheet

	Notes	September 30, 2006 HK$'000 (unaudited)	March 31, 2006 HK$'000 (audited)
Non-current assets			
Investment properties		**94,863**	94,863
Property, plant and equipment		**101,042**	103,056
Prepaid land lease payments		**31,648**	32,030
Interest in an associate	8	**86,459**	1,692
Deferred tax assets		**5,504**	5,100
		319,516	236,741
Current assets			
Inventories		**41,824**	55,870
Trade and other receivables	9	**92,149**	58,453
Financial assets at fair value through profit or loss		**15,732**	15,560
Tax receivable		**708**	1,451
Bank balances and cash		**223,097**	286,580
		373,510	417,914
Current liabilities			
Trade and other payables	10	**31,251**	33,269
Taxation		**1,641**	—
		32,892	33,269
Net current assets		**340,618**	384,645
Total assets less current liabilities		**660,134**	621,386
Non-current liabilities			
Amount due to an immediate holding company		**10,484**	2,095
Deferred tax liabilities		**11,239**	10,866
		21,723	12,961
Net assets		**638,411**	608,425
Capital and reserves			
Share capital	11	**100,074**	100,074
Reserves		**538,337**	508,351
		638,411	608,425

Consolidated Statement of Changes in Equity

For the six months ended September 30, 2006

	Share capital HK$'000	Share premium HK$'000	Other non-distributable reserve HK$'000	Other property revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at April 1, 2005, restated (audited)	90,977	59,938	1,801	23,969	4,563	371,767	553,015
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	1,109	—	1,109
Net gain not recognized in the income statement	—	—	—	—	1,109	—	1,109
Capitalization on bonus issue of shares	9,097	(9,097)	—	—	—	—	—
Release on depreciation of leasehold land and buildings	—	—	—	(486)	—	486	—
Net profit for the period	—	—	—	—	—	23,991	23,991
Balance at September 30, 2005 (unaudited)	100,074	50,841	1,801	23,483	5,672	396,244	578,115

Consolidated Statement of Changes in Equity (Cont'd)

For the six months ended September 30, 2006

	Share capital HK$'000	Share premium HK$'000	Other non-distributable reserve HK$'000	Capital reserve HK$'000	Other property revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at April 1, 2006 (audited)	100,074	50,841	1,801	—	33,751	6,265	415,693	608,425
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	760	—	760
Net gain not recognized in the income statement	—	—	—	—	—	760	—	760
Share options granted	—	—	—	4,502	—	—	—	4,502
Release on depreciation of leasehold land and buildings	—	—	—	—	(530)	—	530	—
Net profit for the period	—	—	—	—	—	—	24,724	24,724
Balance at September 30, 2006 (unaudited)	**100,074**	**50,841**	**1,801**	**4,502**	**33,221**	**7,025**	**440,947**	**638,411**

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

Condensed Consolidated Cash Flow Statement

For the six months ended September 30

	2006	2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**9,482**	10,048
Net cash (used in) from investing activities	**(82,018)**	1,393
Net cash from (used in) financing activities	**8,389**	(2,192)
Net (decrease) increase in cash and cash equivalents	**(64,147)**	9,249
Cash and cash equivalents at beginning of the period	**286,580**	229,350
Effect of foreign exchange rate changes	**664**	175
Cash and cash equivalents at end of the period, represented by bank balances and cash	**223,097**	238,774

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. ACCOUNTING POLICIES

The Group has adopted a new policy of HKAS17 "Leases" for leasehold land and buildings held for own use for the year ended March 31, 2006 to account for the leasehold interest in the land held for own use as being held under operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately at the time the lease was first entered into by the Group. Relative comparative figures have been restated accordingly. Adoption of this policy does not have significant impact on these interim financial statements.

The accounting policies adopted in these interim financial statements are consistent with those adopted in the Group's audited financial statements for year ended March 31, 2006, except for the following:

Share-based payment transactions

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

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

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

2. ACCOUNTING POLICIES (Cont'd)

HKAS 39 and HKFRS 4 (amendment) "Financial Guarantee Contracts"
The Group has adopted HKAS 39 and HKFRS 4 (amendment) "Financial Guarantee Contracts" effective for the accounting periods beginning on April 1, 2006.

A financial guarantee contract is a contract that requires the issuer to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified term of a debt instrument. The directors consider adoption of this amendment would have no significant impact on the Group's financial statements.

Future changes in HKFRS
At the date of authorization of these interim financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective and the Group has not early adopted. The directors anticipate that the adoption of these new/revised HKFRS in the future accounting periods will have no significant impact on the result of the Group.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable in respect of goods sold, less returns and allowances, by the Group to outside customers during the period.

For management purposes, the Group is currently organized into two operating segments — pearls and property investment. The following segments are the basis on which the Group reports its primary segment information:

Pearls	—	Purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products
Property investment	—	Leasing of properties

Segment information about these businesses is presented below:

Six months ended September 30, 2006 (unaudited)

	Pearls HK$'000	Property investment HK$'000	Consolidated HK$'000
Revenue			
External sales or rentals	**193,332**	**1,857**	**195,189**
Result			
Segment results	**28,980**	**(523)**	**28,457**
Unallocated other operating income			**4,788**
Unallocated corporate expenses			**(6,034)**
Profit before taxation			**27,211**

3. TURNOVER AND SEGMENT INFORMATION (Cont'd)

Six months ended September 30, 2005 (unaudited)

	Pearls HK$'000 (Restated)	Property investment HK$'000	Consolidated HK$'000 (Restated)
Revenue			
External sales or rentals	211,867	1,843	213,710
Result			
Segment results	27,073	(1,345)	25,728
Unallocated other operating income			4,679
Unallocated corporate expenses			(1,475)
Profit before taxation			28,932

4. PROFIT BEFORE TAXATION

	For the six months ended September 30, 2006 HK$'000 (unaudited)	2005 HK$'000 (unaudited) (Restated)
Profit before taxation has been arrived at after charging:		
Depreciation and amortization	**3,654**	3,615
Staff costs, including directors emoluments	**20,345**	15,873

5. TAXATION

	For the six months ended September 30,	
	2006	2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(Restated)
Current tax:		
— Hong Kong	**2,518**	6,678
Deferred tax:		
— Current period	**(31)**	(1,737)
	2,487	4,941

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended September 30, 2006 and September 30, 2005.

6. DIVIDEND

The directors do not recommend the payment of an interim dividend *(six months ended September 30, 2005: Nil)* and propose that the profit for the period be retained. No dividend was paid during the period.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK$24,724,000 *(six months ended September 30, 2005: HK$23,991,000)* and on 1,000,740,000 *(six months ended September 30, 2005: 1,000,740,000)* shares in issue during the period.

Diluted earnings per share for six months ended September 30, 2006 is calculated based on the profit for the period of HK$24,724,000 and on the adjusted weighted average number of 1,009,983,000 shares which is the weighted average number of shares in issue during the period plus the weighted average number of 9,243,000 shares deemed to be issued at no consideration if all outstanding options had been exercised. No diluted earnings per share have been presented for the period ended September 30, 2005 as there are no dilutive potential ordinary shares in issue.

8. INTEREST IN AN ASSOCIATE

	September 30, 2006 HK$'000 (unaudited)	March 31, 2006 HK$'000 (audited)
Unlisted shares, at cost	**—**	—
Due from an associate	**86,459**	1,692
	86,459	1,692

The amount due from an associate is unsecured, interest free and has no fixed repayment terms.

Unaudited financial information of the associate for the period ended September 30, 2006 is summarized as follows:

	September 30, 2006 HK$'000 (unaudited)	March 31, 2006 HK$'000 (unaudited)
Total assets	**273,828**	17,811
Total liabilities	**(276,407)**	(19,043)
Net liabilities	**(2,579)**	(1,232)

	For the six months ended September 30,	
	2006 HK$'000 (unaudited)	2005 HK$'000 (unaudited)
Turnover	**1,508**	—
Net loss	**(3,246)**	—
Net loss attributable to the Group *(note)*	**(1,591)**	—

Note: Net loss attributable to the Group for the period of HK$1,591,000 *(six months ended September 30, 2005: Nil)* has not been recognized for the associate that exceed its equity interest. At the balance sheet date, the Group has accumulated unrecognized losses amounted to HK$2,195,000 *(March 31, 2006: HK$604,000)*.

9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

Included in trade and other receivables of the Group are trade receivables of HK$81,070,000 *(March 31, 2006: HK$47,330,000)* and their ageing analysis after credit period is as follows:

	September 30, 2006 HK$'000 (unaudited)	March 31, 2006 HK$'000 (audited)
0–60 days	**76,637**	43,479
61–120 days	**4,433**	3,851
	81,070	47,330

10. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$13,631,000 *(March 31, 2006: HK$11,477,000)* and their ageing analysis after credit period is as follows:

	September 30, 2006 HK$'000 (unaudited)	March 31, 2006 HK$'000 (audited)
0–60 days	**13,626**	9,461
61–120 days	**5**	1,268
>120 days	**—**	748
	13,631	11,477

11. SHARE CAPITAL

	Ordinary shares of HK$0.10 each No. of shares '000	HK$'000
Authorized:		
At April 1, 2006 and September 30, 2006	1,500,000	150,000
Issued and fully paid:		
At April 1, 2006 and September 30, 2006	1,000,740	100,074

12. CAPITAL COMMITMENT

	September 30, 2006 HK$'000 (Unaudited)	March 31, 2006 HK$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**1,312**	1,312

13. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group sold jewelry products amounted to HK$41,000 *(six month ended September 30, 2005: HK$Nil)* to China Pearls and Jewellery City Holdings Limited, which is an associate of the Group during the period ended September 30, 2006.

During the period ended September 30, 2006, the Group sold jewelry products amounted to HK$395,000 *(six months ended September 30, 2005: HK$293,000)* to China South International Industrial Materials City (Shenzhen) Co., Ltd. ("CSII"), a company in which Messrs. Cheng Chung Hing and Cheng Tai Po, the directors of the Company, have beneficial interests.

In addition, during the period ended September 30, 2006, rental expenses of HK$95,000 *(six months ended September 30, 2005: HK$38,000)* was paid to CSII.

During the period ended September 30, 2006, reimbursement amounted to HK$84,000 *(six months ended September 30, 2005: HK$98,000)* was received from CSII for the salaries of the Group's staff who had provided services to CSII during the period.

The above transactions were carried out based on terms agreed by the relevant parties to the transactions.

13. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Compensation of key management personnel of the Group

	For the six months ended September 30,	
	2006	2005
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term employment benefits	**4,829**	4,782
Post-employment benefits	**29**	32
Share-based payment *(note)*	**1,588**	—
Total compensation paid to key management personnel	**6,446**	4,814

Note: The fair value of all share options granted for the period is determined using Black-Scholes pricing model.

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

DIVIDEND

The Board of Directors does not recommend the payment of interim dividend for the six months ended September 30, 2006 (six months ended September 30, 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended September 30, 2006, the Group recorded a turnover of approximately HK$193.3 million, representing a decrease of 8.7% as compared with the same period last year. Profit attributable to shareholders was approximately HK$24.7 million, 3.1% higher than last year's HK$24.0 million. The increase was mainly attributable to the improved gross profit margin for the period.

The decrease in the Group's turnover was mainly due to the decrease in sales of South Sea pearls. High oil price together with fluctuating gold price affected market demand and customers were conservative in placing orders. The decrease was compensated by an increase in sales of assembled finished pearl and jewelry products. Despite a decline in turnover of the Group in the first half year of fiscal year 2007, we received good responses from buyers who attended the Hong Kong Jewellery and Watch Fair in September 2006.

Of the total turnover in the first six months, sales of assembled pearl and jewelry finished products accounted for 49.4% while that of South Sea pearls came second at 41.1%. Sales to European customers grew in the first six months while sales to US customers dropped when compared with the same period last year.

Gross Profit

Gross profit margin had slightly increased from 27.7% to 30.9% when compared with the same period last year. It was mainly due to the improvement in the production efficiency in the wake of the enhanced management and cost control measures.

Operating Costs and Expenses

Selling and administrative expenses increased by 8.0% as compared with the same period last year. An one-off share-based payment of HK$4.5 million associated with the grant of share options by the Company was charged for the period.

Post Balance Sheet Events

From September 30, 2006 to the date of this Report, no event which has a significant impact on the Company and its subsidiaries has taken place.

Prospects

Heeding existing market situations, the Group will continue to exercise prudent cost control and, at the same time, seek to expand its market share and customer base. We will strive achieve our performance targets by ensuring that our products are innovatively designed and of the highest quality.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Prospects (Cont'd)
In March 2006, the Group invested in the China Pearls and Jewellery City project in Zhuji, Zhejiang province in the PRC. The investment amount has been fully paid and the project has obtained the land use rights certificate for the development of Phase I of the project. The construction work has been carried out after receiving the approval for commencement of construction work in September 2006. We expect that Phase I of the project to be completed by the end of year 2007.

With the management and staff dedicated to helping the Group achieve its goals, we are confident of the performance of our business in the years to come.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity
At September 30, 2006, the Group had a working capital of HK$340.6 million, which included a cash balance of HK$223.1 million, compared to the working capital of HK$384.6 million, which included a cash balance of HK$286.6 million at March 31, 2006. The decrease in working capital was mainly due to an increase in advance to an associate of HK$84.8 million but being offset by the increase in trade and other receivables by HK$33.7 million.

The Group had available working capital facilities of HK$105.0 million in total with various banks at September 30, 2006. Such banking facilities include letter of credit arrangements, import loans, overdraft and other facilities commonly used in jewelry business. All such banking facilities bear interest at floating rates generally offered by banks in Hong Kong and are subject to periodic review. At September 30, 2006, the Group had a zero balance on each of these credit facilities.

Capital Structure
At September 30, 2006, the Group's total shareholders' funds amounted to HK$638.4 million, compared with HK$608.4 million at March 31, 2006. The Group's gearing ratio was zero with no outstanding debts at September 30, 2006 and March 31, 2006. The gearing ratio is computed by dividing total debts over capital and reserves.

For the period ended September 30, 2006, most of the Group's transactions were denominated in either US dollars or Hong Kong dollars. Since the Hong Kong dollar remained "pegged" to the US dollar at a consistent rate, in this respect, the Group was not exposed to any significant foreign exchange risk, and as a result of which, the Group has not adopted any hedging measures.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At September 30, 2006, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under the provisions of the SFO) or which were recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares of HK$0.10 each held Direct interest	 Deemed interest (Note 1)	 Total interest	Percentage of the issued share capital of the Company
Mr. Cheng Chung Hing	Beneficial owner and interest of a controlled corporation	101,139,241	494,406,000	595,545,241	59.51%
Mr. Cheng Tai Po	Beneficial owner and interest of a controlled corporation	76,086,179	494,406,000	570,492,179	57.01%

Note 1: These shares were indirectly owned by (a) Man Sang Holdings, Inc. ("MSH"), a company incorporated in the State of Nevada, the United States of America and (b) Cafoong Limited ("Cafoong"), a company incorporated in the British Virgin Islands. Both MSH and Cafoong held their interest in shares of the Company, through an indirect interest in Man Sang International (B.V.I.) Limited ("MSBVI"), a company incorporated in the British Virgin Islands which directly holds these 494,406,000 shares. Cafoong indirectly holds 100% equity interest in MSBVI through MSH, in which Cafoong holds 53.86% of the common stock and all the Series A preferred stock at September 30, 2006, which totally represent 69.24% of the voting rights of MSH. Messrs. Cheng Chung Hing and Cheng Tai Po own 60% and 40% of the issued share capital of Cafoong, respectively.

(b) Common stock in an associated corporation — MSH

Name of director	Capacity	Numbers of shares of common stock of US$0.001 each in MSH held Direct interest	 Deemed interest (Note 2)	 Total interest	Percentage of common stock of MSH
Mr. Cheng Chung Hing	Beneficial owner and interest of a controlled corporation	312,500	3,437,501	3,750,001	58.75%
Mr. Cheng Tai Po	Beneficial owner and interest of a controlled corporation	250,000	3,437,501	3,687,501	57.78%

Note 2: These shares were directly and indirectly owned by Cafoong. Cafoong holds 53.86% of the common stock and all the Series A preferred stock of MSH at September 30, 2006, which totally represent 69.24% of the voting rights of MSH. Messrs. Cheng Chung Hing and Cheng Tai Po owned 60% and 40% of the issued share capital of Cafoong, respectively.

SHARE OPTIONS

As at September 30, 2006, details of the share options granted to directors of the Company or eligible employees under the share option scheme of the Company are as follows:

Name or category of participant	Date of Grant	At April 1, 2006	Grant during the period	Exercised during the period	Lapsed during the period	At September 30, 2006	Exercise price per share (HK$)	Exercise period
		Number of share options						
Director								
Mr. Cheng Chung Hing	May 2, 2006	—	1,000,000	—	—	1,000,000	0.253	May 2, 2006– May 1, 2012
Mr. Cheng Tai Po	May 2, 2006	—	1,000,000	—	—	1,000,000	0.253	May 2, 2006– May 1, 2012
Ms. Yan Sau Man, Amy	May 2, 2006	—	10,000,000	—	—	10,000,000	0.253	May 2, 2006– May 1, 2012
Other Employees (in aggregate)	May 2, 2006	—	36,000,000	—	10,000,000*	26,000,000	0.253	May 2, 2006– May 1, 2012
	Sept 18, 2006	—	20,000,000	—	—	20,000,000	0.233	Sept 18, 2006– Sept 17, 2011

* These share options lapsed during the period as a result of staff resignation.

Note: The share options were granted under the Company's share option scheme adopted on August 2, 2002 and entitle the holders thereof to subscribe for ordinary shares of HK$0.10 each in the Company. The options referred to above were fully vested at the date of grant.

All interests stated above represent long positions.

Save as disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at September 30, 2006.

SUBSTANTIAL SHAREHOLDERS

At September 30, 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in respect of certain directors, the following shareholders had notified the Company of relevant interests in the share capital of the Company:

Name of shareholder	Capacity	Number of shares held Direct interest	 Deemed interest	Percentage of issued share capital of the Company	Notes
MSBVI	Beneficial owner	494,406,000	—	49.40%	
MSH	Held by a controlled corporation	—	494,406,000	49.40%	1
Cafoong Limited	Held by a controlled corporation	—	494,406,000	49.40%	2

Notes:

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

2. This represented the deemed interest in 494,406,000 shares in the Company held by MSBVI whereby Cafoong together with its wholly owned subsidiaries directly and indirectly holds 53.86% of the common stock and all of the Series A preferred stock of MSH at September 30, 2006, represented 69.24% of the voting rights of MSH.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the Company's issued share capital at September 30, 2006.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the six months ended September 30, 2006, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended September 30, 2006, except for the following deviation from code provision A.2.1.

Under code provision A.2.1, the roles of the chairman and chief executive officer are required to be separated and not to be performed by the same individual.

CORPORATE GOVERNANCE (Cont'd)

Mr. Cheng Chung Hing ("Mr. Cheng") assumes the role of both the chairman and the chief executive officer of the Group. The roles of chairman and chief executive officer of the Group rest on the same individual which deviates from code provision A.2.1. The reason for such deviation is set out below.

Mr. Cheng is one of the founders and a substantial shareholder of the Group and has considerable industry experience. The Board is of the view that it is in the best interests of the Group to have an executive chairman who is most knowledgeable about the business of the Group and is most capable to guide the growth of the Group and report to the Board in a timely manner on pertinent issues and to facilitate open dialogue between the Board and management. In addition, the Board considers the Group's business is best served when strategic planning and decisions are made and implemented by the management under the leadership of Mr. Cheng.

In light of the above, the Board does not currently propose to appoint two separate individuals to take up the respective roles of chairman and chief executive officer of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following enquiry by the Company, all directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended September 30, 2006.

AUDIT COMMITTEE

The audit committee has reviewed together with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters. The interim results for the six months ended September 30, 2006 are unaudited, but have been reviewed by Moores Rowland Mazars in accordance with Statement of Auditing Standards 700 "Engagement to review interim financial reports". The interim financial report has been reviewed by the audit committee.

On behalf of the Board
CHENG CHUNG HING
Chairman

Hong Kong, November 14, 2006