Man Sang International Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2008

Stock Code : 0938

The Ultimate Name In Pearls

Man Sang International Limited (the "Company") and its subsidiaries (the "Group") have two main business streams. One of the business streams is engaging in the purchasing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the "Pearl business"). The other is engaging in property development and investment (the "Property business").

The shares of the Company have been listed on the main board of Stock Exchange of Hong Kong Limited since 1997 under the stock code of 0938. The holding company of the Company, Man Sang Holdings, Inc., is a company incorporated in Nevada State of the United States of America with its shares listed on the American Stock Exchange under the ticker symbol of "MHJ".

The Group is one of the world's largest pearl merchants, purchasers and processors of saltwater pearls. Pearls and jewelry products processing, manufacturing and assembling are conducted at the Group's self-own facilities in the Man Sang Industrial City in Shenzhen, the People's Republic of China (the "PRC"). There are 27 blocks of buildings in total encompassing a total gross floor area of approximately 813,000 square feet.

With its rich experience in pearl business over the years, the Group in 2006 joined with six major pearls and jewelry players in the PRC to develop a large-scale international jewelry trading platform, the China Pearls and Jewelry project (the "CP&J project") in Zhuji of Zhejiang Province, the PRC. On April 12, 2007, the Group held 55% equity interests and became the controlling shareholder of the China Pearls and Jewellery City Holdings Limited (the "CP&J City") which in turn develops and manages the CP&J project. Upon completion of the CP&J project, it will become an integrated trading platform tailored for multiple business sectors, encompassing trade, exhibition, manufacturing and processing operations, as well as supporting business services and facilities. CP&J project will become a prominent centre of travelling and shopping of pearl and jewelry as well.

Contents

Corporate Information

BOARD OF DIRECTORS

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

Independent Non-executive Directors
Mr. Lee Kang Bor, Thomas
Mr. Kiu Wai Ming, Kenneth
Mr. Lau Chi Wah, Alex

QUALIFIED ACCOUNTANT & COMPANY SECRETARY

Mr. Pak Wai Keung, Martin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITORS

Grant Thornton

LEGAL ADVISERS

As to Hong Kong and the US law
Baker & McKenzie

As to Bermuda law
Conyers Dill & Pearman

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Ordinary Share (Stock Code: 0938)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 2208, 22/F.
Sun Life Tower, The Gateway
15 Canton Road, Tsimshatsui
Kowloon
Hong Kong

Independent Review Report

Grant Thornton
均富

Member of Grant Thornton International Ltd

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 4 to 23 which comprises the condensed consolidated balance sheet of Man Sang International Limited as of September 30, 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited requires the preparation of a report on interim financial information to be in compliance with relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial information based on our review 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

Grant Thornton
Certified Public Accountants
13/F., Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

November 13, 2008

Condensed Consolidated Income Statement

For the six months ended September 30

	Note	**2008 HK$'000 (unaudited)**	2007 HK$'000 (unaudited)
Revenue	3	**211,937**	212,701
Cost of sales		**(122,982)**	(136,836)
Gross profit		**88,955**	75,865
Investment income		**5,673**	9,334
Other operating income		**794**	164
Selling expenses		**(12,875)**	(5,239)
Administrative expenses		**(46,273)**	(43,531)
Net unrealized (loss)/gain on financial assets at fair value through profit or loss		**(5,211)**	1,232
Decrease in fair value of investment properties	8	**(115,083)**	—
(Loss)/Profit before taxation	4	**(84,020)**	37,825
Taxation	5	**23,770**	(4,421)
Net (loss)/profit for the period		**(60,250)**	33,404
(Loss)/Profit attributable to:			
Equity shareholders		**(21,669)**	38,037
Minority interests		**(38,581)**	(4,633)
		(60,250)	33,404
(Loss)/Earnings per share	7		
— Basic		**(1.77 cents)**	3.52 cents
— Diluted		**N/A**	3.37 cents

Condensed Consolidated Balance Sheet

	Note	September 30, 2008 HK$'000 (unaudited)	March 31, 2008 HK$'000 (audited)
Non-current assets			
Investment properties	8	870,626	952,867
Properties under development	9	166,358	123,768
Property, plant and equipment	10	112,955	121,530
Prepaid land lease payments		30,121	30,502
Interest in an associate	11	68	105
Deferred tax assets		—	175
		1,180,128	1,228,947
Current assets			
Inventories		52,039	49,395
Completed properties held for sale		184,082	182,426
Trade and other receivables	12	273,707	253,146
Financial assets at fair value through profit or loss	13	24,025	5,411
Tax receivable		2,365	5,172
Cash and cash equivalents		517,949	587,602
		1,054,167	1,083,152
Current liabilities			
Trade and other payables	14	452,891	462,233
Taxation		72,800	71,266
Bank borrowings (secured) — current portion	15	79,800	33,300
		605,491	566,799
Net current assets		448,676	516,353
Total assets less current liabilities		1,628,804	1,745,300

Condensed Consolidated Balance Sheet

	Note	September 30, 2008 HK$'000 (unaudited)	March 31, 2008 HK$'000 (audited)
Non-current liabilities			
Due to an intermediate and immediate holding companies		**1,023**	2,352
Deferred tax liabilities		**126,729**	150,807
Bank borrowings (secured)	15	**148,200**	166,500
		275,952	319,659
Net assets		**1,352,852**	1,425,641
Capital and reserves			
Share capital	16	**122,474**	122,474
Reserves		**1,055,279**	1,098,799
Total equity attributable to equity shareholders		**1,177,753**	1,221,273
Minority interests		**175,099**	204,368
Total equity		**1,352,852**	1,425,641

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Other non-distributable reserve HK$'000 *(note a)*	Share option reserve HK$'000	Other property revaluation reserve HK$'000	Translation reserve HK$'000	General reserve HK$'000 *(note b)*	Retained profits HK$'000 *(note c)*	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at April 1, 2007 (audited)	**100,374**	**51,517**	**1,801**	**4,378**	**36,467**	**7,080**	**—**	**477,427**	**679,044**	**—**	**679,044**
Revaluation gain of leasehold land and buildings	—	—	—	—	47,092	—	—	—	47,092	43,248	90,340
Deferred tax liability arising from revaluation gain of leasehold land and buildings	—	—	—	—	(15,540)	—	—	—	(15,540)	(14,272)	(29,812)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	5,932	—	—	5,932	4,389	10,321
Net income recognized directly in equity	—	—	—	—	31,552	5,932	—	—	37,484	33,365	70,849
Net profit/(loss) for the period	—	—	—	—	—	—	—	38,037	38,037	(4,633)	33,404
Total recognized income for the period	—	—	—	—	31,552	5,932	—	38,037	75,521	28,732	104,253
Share of accumulated losses of the associate upon acquisition of subsidiaries	—	—	—	—	—	—	—	(10,935)	(10,935)	(10,042)	(20,977)
Release on depreciation of leasehold land and buildings	—	—	—	—	(442)	—	—	442	—	—	—
Share-based payments	—	—	—	860	—	—	—	—	860	—	860
Issue of new shares	20,000	265,317	—	—	—	—	—	—	285,317	—	285,317
2007 final dividend paid	—	—	—	—	—	—	(36,112)	—	(36,112)	—	(36,112)
Balance at September 30, 2007 (unaudited)	**120,374**	**316,834**	**1,801**	**5,238**	**67,577**	**13,012**	**(36,112)**	**504,971**	**993,695**	**18,690**	**1,012,385**

Condensed Consolidated Statement of Changes in Equity

For the six months ended September 30

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Other non-distributable reserve HK$'000 *(note a)*	Share option reserve HK$'000	Other property revaluation reserve HK$'000	Translation reserve HK$'000	General reserve HK$'000 *(note b)*	Retained profits HK$'000 *(note c)*	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at April 1, 2008 (audited)	**122,474**	**319,787**	**1,801**	**5,668**	**76,952**	**26,913**	**(36,112)**	**703,790**	**1,221,273**	**204,368**	**1,425,641**
Deferred tax liability arising from revaluation gain of leasehold land and buildings	—	—	—	—	(238)	—	—	—	(238)	—	(238)
Exchange differences arising from translation of financial statements of overseas operations	—	—	—	—	—	15,129	—	—	15,129	9,312	24,441
Net income/(expenses) recognized directly in equity	—	—	—	—	(238)	15,129	—	—	14,891	9,312	24,203
Net loss for the period	—	—	—	—	—	—	—	(21,669)	(21,669)	(38,581)	(60,250)
Total recognized income/ (expenses) for the period	—	—	—	—	(238)	15,129	—	(21,669)	(6,778)	(29,269)	(36,047)
Release on depreciation of leasehold land and buildings	—	—	—	—	(584)	—	—	584	—	—	—
2008 final dividends paid	—	—	—	—	—	—	(36,742)	—	(36,742)	—	(36,742)
Transferred to retained profits upon disposal of the properties	—	—	—	—	(147)	—	—	147	—	—	—
Balance at September 30, 2008 (unaudited)	**122,474**	**319,787**	**1,801**	**5,668**	**75,983**	**42,042**	**(72,854)**	**682,852**	**1,177,753**	**175,099**	**1,352,852**

Note:

(a) Other non-distributable reserves are arising from the transactions under corporation reorganization in 1997.

(b) General reserve represents the dividends paid out of the contributed surplus by the Company.

(c) At September 30, 2008, the Group's retained profits included an amount of HK$9,852,000 (At September 30, 2007: HK$9,852,000) reserved by the subsidiaries in the People's Republic of China (the "PRC") in accordance with the relevant PRC regulations, this reserve is only distributable in the event of liquidation of these PRC subsidiaries.

Condensed Consolidated Cash Flow Statement

For the six months ended September 30

	2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Net cash (used in)/from operating activities	(1,548)	48,036
Net cash used in investing activities	(60,306)	(62,264)
Net cash (used in)/from financing activities	(15,271)	281,856
Net (decrease)/increase in cash and cash equivalents	(77,125)	267,628
Cash and cash equivalents at beginning of the period	587,602	296,426
Effect of foreign exchange rate changes	7,472	(7,650)
Cash and cash equivalents at end of the period, represented by bank balances and cash	517,949	556,404

Notes to the Condensed Interim Financial Statements

For the six months ended September 30, 2008

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Main Board of The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the Company and its subsidiaries ("the Group") annual consolidated financial statements at March 31, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss, investment properties, leasehold land and buildings, which are stated at fair values, as appropriate.

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements of the Group for the year ended March 31, 2008.

In the current period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after April 1, 2008.

HK International Financial Reporting Interpretations Committee ("IFRIC") — Interpretation ("Int") 12	Service Concession Arrangements
HK (IFRIC) — Int 14	Hong Kong Accounting Standard ("HKAS") 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations has had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 39 and Hong Kong Financial Reporting Standard ("HKFRS") 7 (Amendment)	Reclassification of Financial Assets[4]
HKAS 1, HKAS 32, HKAS 39 and HKFRS 7 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 2 (Amendment)	Members' shares in co-operative entities and similar instruments[1]
HK(IFRIC) — Int 13	Customers Loyalty Programmes[4]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[3]

1 Effective for annual periods beginning on or after January 1, 2009.

2 Effective for annual periods beginning on or after July 1, 2009.

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

4 Effective for annual periods beginning on or after July 1, 2008

The Directors of the Company are currently assessing the impact of the above new standards, amendments and interpretations but are not yet in position to state whether they would have material impact on the unaudited condensed consolidated interim financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents (i) the net amounts received and receivable in respect of goods sold, less returns and allowances, by the Group to outside customers during the period, (ii) the aggregate of gross proceeds from the sale of properties during the period, and (iii) the gross amounts received and receivable in respect of leasing of investment properties during the period.

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

Pearls and jewelry	—	Purchasing, processing, assembling, merchandising, wholesale distribution of pearls and jewelry products.
Property development and investment	—	Development, sales and leasing of properties.

Segment information about these businesses is presented below:

Income statement for the six months ended September 30, 2008 (unaudited)

	Pearls and Jewelry HK$'000	Property Development and Investment HK$'000	Consolidated HK$'000
Revenue			
External sales or rentals	190,441	21,496	211,937
Results			
Segment results	34,901	(115,531)	(80,630)
Unallocated other operating income and investment income			5,673
Unallocated corporate expense			(9,063)
Loss before taxation			(84,020)
Taxation			23,770
Loss for the period			(60,250)

Notes to the Condensed Interim Financial Statements

For the six months ended September 30, 2008

3. REVENUE AND SEGMENT INFORMATION (Continued)

Income statement for the six months ended September 30, 2007 (unaudited)

	Pearls and Jewelry HK$'000	Property Development and Investment HK$'000	Consolidated HK$'000
Revenue			
External sales or rentals	210,059	2,642	212,701
Results			
Segment results	40,831	(10,775)	30,056
Unallocated other operating income and investment income			10,725
Unallocated corporate expense			(2,956)
Profit before taxation			37,825
Taxation			(4,421)
Profit for the period			33,404

4. (LOSS)/PROFIT BEFORE TAXATION

	For the six months ended September 30, 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
(Loss)/Profit before taxation has been arrived at after charging:		
Finance cost:		
Interest on bank borrowings wholly repayable within five years	**8,641**	5,941
Less: Amount capitalized	**(8,641)**	(5,941)
	—	—
Depreciation and amortization	**4,986**	4,915
Staff costs, including directors emoluments	**32,046**	21,619

5. TAXATION

	For the six months ended September 30,	
	2008	2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current income tax:		
Hong Kong Profits Tax	**3,208**	4,084
Land Appreciation Tax	**1,361**	—
Deferred income tax:		
(Credited)/Charged to the current period	**(28,339)**	337
	(23,770)	4,421

On March 16, 2007, the People's Republic of China (the "PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued the Implementation Regulations of the New Law which changed the tax rates either from 33% to 25%, or from 15% to 18% for certain subsidiaries from January 1, 2008.

Hong Kong Profits Tax is calculated at a rate of 16.5% (For the six months ended September 30, 2007: 17.5%) on the estimated assessable profit for the six months ended September 30, 2008.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property expenditures.

6. DIVIDEND

The directors do not recommend the payment of an interim dividend (For the six months ended September 30, 2007: Nil).

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for the six months ended September 30, 2008 is based on the net loss attributable to equity shareholders for the period of HK$21,669,000 (Net profit attributable to equity shareholders for the six months ended September 30, 2007: HK$38,037,000) and on the weighted average number of 1,224,740,000 (For the six months ended September 30, 2007: 1,079,564,000) shares in issue during the period.

7. (LOSS)/EARNINGS PER SHARE (Continued)

Diluted loss per share for the six months ended September 30, 2008 is not presented because the Company's outstanding share options are anti-dilutive. Diluted earnings per share for the six months ended September 30, 2007 was calculated based on the profit for the period of HK$38,037,000 and on the adjusted weighted average number of 1,127,274,000 shares which was the weighted average number of shares in issue during the period used in the computation of basic earnings per share plus the weighted average number of 47,710,000 shares deemed to be issued at no consideration if all outstanding options had been exercised.

8. INVESTMENT PROPERTIES

The fair values of the Group's investment properties were assessed by BMI Appraisals Limited and DTZ Debenham Tie Leung Limited, independent professional valuers not connected with the Group, at September 30, 2008. BMI Appraisals Limited and DTZ Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties. The resulting net decrease in fair value of the investment properties of approximately HK$115,083,000 has been recognized in the condensed consolidated income statement for the six months ended September 30, 2008. No revaluation adjustment of investment properties was made for the six months ended September 30, 2007.

9. PROPERTIES UNDER DEVELOPMENT

During the six months ended September 30, 2008, the Group capitalized approximately HK$40,106,000 (For the six months ended September 30, 2007: HK$149,373,000) as properties under development. All the group's properties under development are located in the PRC and are held under medium term land use rights.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended September 30, 2008, the Group spent approximately HK$2,267,000 (For the six months ended September 30, 2007: HK$4,797,000) on additions to property, plant and equipment. In addition, the Group disposed of certain property, plant and equipment at a consideration of HK$220,000 (For the six months ended September 30, 2007: HK$5,000) with a gain on disposal of property, plant and equipment of HK$134,000 (Loss on disposal of property, plant and equipment for the six months ended September 30, 2007: HK$5,000).

The Group's leasehold land and buildings at September 30, 2008 were revalued by BMI Appraisals Limited, which is an independent firm of professional property valuers, on market value basis, at HK$98,426,000 (At March 31, 2008: HK$106,142,000). No revaluation adjustment arising from revaluation of leasehold land and buildings was recognized at September 30, 2008. At March 31, 2008, the revaluation increase arising from revaluation of leasehold land and buildings amounted to HK$11,633,000, of which HK$11,556,000 had been credited to the other property revaluation reserve and HK$77,000 had been credited to the income statement.

Notes to the Condensed Interim Financial Statements

For the six months ended September 30, 2008

11. INTEREST IN AN ASSOCIATE

	At September 30, 2008 HK$'000 (unaudited)	At March 31, 2008 HK$'000 (audited)
Unlisted shares, at cost	114	112
Share of post-acquisition loss	(46)	(7)
Share of net assets	68	105

Financial information of an associate is summarized as follows:

	At September 30, 2008 HK$'000 (unaudited)	At March 31, 2008 HK$'000 (audited)
Assets	1,219	519
Liabilities	(882)	—
Equity	337	519
Group's share of net assets of associate	68	105

	For the six months ended September 30,	
	2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Revenue	—	—
Net loss	(195)	—
Net loss attributable to the Group *(note)*	(39)	—

Note: The associate was established after September 30, 2007, therefore no profit or loss was shared for the six months ended September 30, 2007.

At September 30, 2008, the Group had interests in the following associate:

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

* *for identification purpose*

12. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables of the Group are trade receivables of HK$185,619,000 (At March 31, 2008: HK$165,436,000) and their ageing analysis after credit period is as follows:

	At September 30, 2008 HK$'000 (unaudited)	At March 31, 2008 HK$'000 (audited)
0–60 days	90,002	106,569
61–120 days	22,148	17,980
>120 days	73,469	40,887
	185,619	165,436

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At September 30, 2008 HK$'000 (unaudited)	At March 31, 2008 HK$'000 (audited)
Trading securities, at market value:		
Listed equity investments in Hong Kong	24,025	5,411

14. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$125,466,000 (At March 31, 2008: HK$123,928,000) and their ageing analysis after credit period is as follows:

	At September 30, 2008 HK$'000 (unaudited)	At March 31, 2008 HK$'000 (audited)
0–60 days	125,376	119,697
61–120 days	90	3,548
>120 days	—	683
	125,466	123,928

15. BANK BORROWINGS

	At September 30, 2008 HK$'000 (unaudited)	At March 31, 2008 HK$'000 (audited)
Secured bank borrowings	**228,000**	199,800
The maturity of the above borrowings is as follows:		
Within 1 year	**79,800**	33,300
More than 1 year but not exceeding 2 years	**125,400**	66,600
More than 2 years but not exceeding 5 years	**22,800**	99,900
	228,000	199,800
Deduct: Amount due within 1 year shown under current liabilities	**(79,800)**	(33,300)
Amount due after 1 year	**148,200**	166,500

The carrying amount of bank borrowings approximates its fair values. The bank borrowings are carried at interest rate of approximately ranged from 7% to 8% per annum. Assets with the following carrying amounts have been pledged to secure bank borrowings of the Group:

	At September 30, 2008 HK$'000 (unaudited)	At March 31, 2008 HK$'000 (audited)
Leasehold land and buildings	**69,750**	1,062,447
Investment properties	**482,700**	15,300
Completed properties held for sales	**65,930**	—
Properties under development	**98,511**	—
	716,891	1,077,747

16. SHARE CAPITAL

	Number of Shares '000	Amount HK$'000 (unaudited)
Authorized:		
Shares of HK$0.10 each	5,000,000	500,000
Issued and fully paid:		
At April 1, 2008 and at September 30, 2008	1,224,740	122,474

Notes to the Condensed Interim Financial Statements

For the six months ended September 30, 2008

17. SHARE OPTION SCHEME

No options have been granted under the 2002 Scheme during the six months ended September 30, 2008. The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the six months ended September 30, 2008 was HK$0.66 (During the six months ended September 30, 2007: HK$1.30).

The following table discloses details of the Company's share options held by directors and employees and, there were no movements in such holdings during the six months ended September 30, 2008 and September 30, 2007.

Date of grant	Exercisable period	Vesting period	Exercise Price HK$	Outstanding number of share option at September 30, 2008	Outstanding number of share option at September 30, 2007
Directors					
May 2, 2006	May 2, 2006 to May 1, 2012	*Note*	0.253	**12,000,000**	12,000,000
Employee					
May 2, 2006	May 2, 2006 to May 1, 2012	*Note*	0.253	**15,000,000**	23,000,000
September 18, 2006	September 18, 2006 to September 17, 2011	*Note*	0.233	**7,000,000**	20,000,000
March 13, 2007	January 1, 2008 to March 12, 2012	March 13, 2007 to December 31, 2007	0.500	**5,000,000**	5,000,000
				27,000,000	48,000,000
				39,000,000	60,000,000
Weighted average exercise price				**HK$0.281**	HK$0.267
Options vested at September 30				**39,000,000**	55,000,000
Weighted average exercise price				**HK$0.281**	HK$0.246
Weighted average remaining contractual life at September 30				**3.46 years**	4.37 years

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

17. SHARE OPTION SCHEME (Continued)

The inputs into Black-Scholes option pricing model were as follows:

Date of grant	May 2, 2006	September 18, 2006	March 13, 2007
Number of share options granted	48,000,000	20,000,000	5,000,000
Weighted average share price on the date of grant	HK$0.250	HK$0.233	HK$0.500
Exercise price	HK$0.253	HK$0.233	HK$0.500
Expected volatility	21.83%	35.25%	60.91%
Expected life	5 years	5 years	5 years
Risk-free interest rate	4.660%	4.025%	4.030%
Expected dividend yield	0.000%	0.000%	0.000%
Estimated fair value of the granted options expensed through income statement	HK$3,465,000	HK$1,759,000	HK$1,383,000

No expense was recognized for the six months ended September 30, 2008 in relation to share options granted by the Company. The Group recognized total expense of HK$860,000 for the six months ended September 30, 2007 in relation to share options granted by the Company.

18. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions, which were carried out in the ordinary course of the Group's business.

		For the six months ended September 30,	
Related party relationship	Nature of Transaction	**2008**	2007
		HK$'000	HK$'000
Key management personnel	Salaries and other short-term benefits	**5,174**	8,327

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

19. ACQUISITION OF SUBSIDIARIES

In March 2007, the Group entered into an agreement in relation to acquire the additional 6% of total issued share capital of the China Pearls and Jewellery City Holdings Limited (the "CP&J City"), an associate, and the assignment of the loan, for a consideration of HK$60,000,000. Upon completion of the acquisition on April 12, 2007, the Group had 55% equity interest in CP&J City, which has become a subsidiary of the Company. This transaction has been accounted for by the acquisition method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	CP&J City's carrying amount before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Net identifiable assets acquired:			
Cash and cash equivalents	135,396	—	135,396
Property, plant and equipment	201,277	96,106	297,383
Trade and other receivables	55,006	—	55,006
Trade and other payables	(269,236)	—	(269,236)
Bank borrowings	(140,000)	—	(140,000)
Net deferred tax liabilities	—	(31,715)	(31,715)
	(17,557)	64,391	46,834
6% of fair value of net identifiable assets acquired			2,810
Loan assigned			10,560
Goodwill arising on acquisition			47,295
Total consideration			60,665
Satisfied by:			
Cash			50,105
Loan assigned			10,560
Cash and loan assigned			60,665
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries, representing bank balances and cash acquired			85,291

19. ACQUISITION OF SUBSIDIARIES (Continued)

The above goodwill is attributable to gaining the controlling rights and executive power over CP&J City for the development of China Pearls and Jewellery City. Goodwill acquired in a business combination is allocated to cash generating units ("CGUs") that are expected to benefit from that business combination. The entire amount of goodwill has been allocated to the properties of CP&J City, property development and investment segment of the Group located in the PRC. The management considers such represents a separate CGU for the purpose of goodwill impairment testing.

The recoverable amount of the CGU is determined based on the value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and a discount rate of 7% per annum in considering the existing economic condition of the market and economic measure on the real estate sector. In addition to the calculation, the management referred to the valuation of the properties of CP&J City assessed by DTZ Debenham Tie Leung Limited, an independent firm of professional property valuers, on market value basis. Increase in fair value of the properties of CP&J City has been credited to the income statement during the year ended March 31, 2008. Taking into account these latest developments, the management believes that aggregate recoverable amount of this CGU would not exceed its aggregate carrying amount and it resulted in reduction of goodwill associated with this CGU by impairment loss recorded during the year ended March 31, 2008.

Minority interest represents share of 45% net assets of CP&J City attributable to minority shareholders.

During the six months ended September 30, 2007, no revenue was contributed by the subsidiaries acquired and a loss of approximately HK$10 million was contributed to the Group's profit before taxation for the period between April 12, 2007 (the date of acquisition) and September 30, 2007.

If the acquisition had been completed on April 1, 2007, no impact noted for the total group revenue for the six months ended September 30, 2007 whereas the profit for the six months ended September 30, 2007 would have been decreased to approximately HK$32.2 million. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on April 1, 2007, nor was it intended to be a projection of future results.

20. CAPITAL COMMITMENT

	At September 30, 2008 HK$'000 (unaudited)	At March 31, 2008 HK$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**167,024**	165,083

21. CONTINGENT LIABILITIES

The subsidiary of the CP&J City formed mortgage collaboration agreement with a bank in the PRC under which the Group has agreed to indemnify the loan makers who purchase the property in the CP&J City for repaying any outstanding loans to the bank if the sale and purchase contract with required collateral documents in relation to the purchase property are not presented to the bank in due course. At September 30, 2008, the Group had maximum guarantees of HK$29,982,000 (At March 31, 2008: HK$28,227,000). The directors consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

22. COMPARATIVE INFORMATION

In accordance with the change in the Group's internal financial reporting, the Group has presented the rental income as the Group's revenue. As a result, certain comparative figures of revenue and other operating income have been re-classified to conform with current period's presentation. No material financial impacts are noted for the reclassification.

Management Discussion and Analysis

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended September 30, 2008 (For the six months ended September 30, 2007: Nil).

BUSINESS REVIEW

Pearl Operations

Economic conditions have recently been deteriorating significantly in many countries and regions, including the markets in which we conduct our Pearl Operations, and may remain depressed for the foreseeable near future. If unfavorable economic conditions continue to challenge the consumer environment, our business, results of operations, financial condition and cash flows could be adversely affected. Our Pearl Operations in Europe have exhibited a relatively strong performance during the first half of financial year 2008. However, based on the prolonged turmoil noted in the financial market which has adversely affected the real economy, we do not expect to maintain these performance levels in the second half of the financial year. As a result, we have adopted a more conservative financial management policy to ensure that we maintain adequate working capital to finance our operations. Our Pearl Operations are geographically diverse and we believe we are well-positioned to embracing the business challenges under the existing global market conditions.

Real Estate Operations

Financial markets have recently experienced unusual volatility and uncertainty. While this condition has occurred most visibly within the “subprime” mortgage sector of the lending market, credit and liquidity has tightened in overall financial markets, including investment grade debt and equity capital markets. In addition, the PRC government has introduced a number of macroeconomic austerity measures to slow the growth of the real estate sector in the PRC in recent years, which have dampened the investment appetite for this sector during the period under review. The launch of these measures have significantly increased the uncertainties and difficulty of real estate investment and development business in the PRC. At September 30, 2008, the occupancy rate, representing the percentage of leaseable gross floor area leased, of Man Sang Industrial City and China Pearls and Jewelry City was approximately 77.2% and 20.0%, respectively. All Hong Kong properties for lease were vacant at September 30, 2008. However, we believe that the challenges posed by these measures are cyclical in nature and that such challenges can be met with sound management and appropriate business and marketing strategies. We have attempted to embrace these challenges with a continued emphasis on enhancing operating efficiency, improving quality of our products and strictly controlled the developments costs of our real estate projects. We continue to believe in the long-term growth prospects of the PRC economy, coupled with the continued acceleration of urbanization and the growing desire of urban residents to improve their living conditions, will allow the real estate sector in the PRC to continue to develop and expand in the long run.

As regards the non-legally binding memorandum of understanding that we entered into in June 2008 in respect of a possible investment in constructing and developing a logistics and trade center in the north-eastern region of the PRC, the research and planning progress have been slowed down given the prevailing uncertainties noted in the real estate market in the PRC.

Management Discussion and Analysis

FINANCIAL REVIEW

The Group has two main business segments during the period. One of the business segments is engaging in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the ''Pearl Segment'') and another is engaging in development, sales and leasing of properties. (the ''Property Segment'').

In March 2007, the Group entered into an agreement to acquire the additional 6% of total issued share capital of China Pearls and Jewellery City Holdings Limited (the ''CP&J City''), an associate, and the assignment of the loan, for a consideration of HK$60.0 million. Upon completion of the acquisition on April 12, 2007, the Group had 55% equity interest in CP&J City, which became a subsidiary of the Company. This transaction has been accounted for using the acquisition method of accounting and the results of CP&J City were consolidated in the Group's financial statements since April 12, 2007 under Hong Kong Financial Reporting Standards.

Revenue and Gross Profit

(i) *Pearl Segment*

Net sales attributable to our Pearl Operations decreased by HK$19.7 million, or 9.3%, from HK$210.1 million for the six months ended September 30, 2007 to HK$190.4 million for the six months ended September 30, 2008 due to the deterioration of the United States economy and the occurrence of the global financial turmoil.

Gross profit attributable to our Pearl Operations decreased by HK$1.7 million, or 2.3%, from HK$73.2 million for the six months ended September 30, 2007 to HK$71.5 million for the six months ended September 30, 2008. Such decrease was primarily attributable to the decrease in net sales to the United States.

Gross profit margin increased from 34.8% for the six months ended September 30, 2007 to 37.6% for the six months ended September 30, 2008. Such increase was primarily due to (a) the implementation of effective cost control measures, (b) continued enhancement of production efficiency; and (c) a shift in our sales focus to higher value jewelry products.

(ii) *Property Segment*

For the six months ended September 30, 2008, the Property Segment recorded a total revenue of HK$21.5 million (For the six months ended September 30, 2007 : HK$2.6 million) including the sales of properties in China Pearls and Jewelry Project ("CP&J Project") and rental income from the investment properties. For the six months ended September 30, 2008, sale of properties in CP&J Project was approximately HK$9.1 million and the gross margin was maintained at above 50%. Sales of properties in CP&J Project had not commenced during the previous six months ended September 30, 2007.

The increase in rental income of investment properties was primarily attributable to an increase of HK$8.6 million in rental income attributable to CP&J Project and an increase in rental income of HK$1.2 million from Man Sang Industrial City as additional units which were originally held for self-use but had been subsequently leased out. Rental income attributable to the CP&J Project has been consolidated since March 2008 which was in line with the inception of the term of rental properties.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Selling, General and Administrative Expenses (the "SG&A expenses")

(i) Pearl Segment

SG&A expenses increased by HK$4.5 million, or 12.7% from HK$35.4 million for the six months ended September 30, 2007 to HK$39.9 million for the six months ended September 30, 2008. The increase was mainly due to the write-back of allowance for doubtful debts of HK$5.0 million for the six months ended September 30, 2007. However, for comparative analysis, if excluding the aforesaid non-recurrent write-back, the SG&A expenses could have just slightly dropped by HK$0.5 million, or 1.2%.

As a percentage of revenue, our SG&A expenses increased by 4.1% from 16.9% for the six months ended September 30, 2007 to 21.0% for the six months ended September 30, 2008.

(ii) Property Segment

SG&A expenses increased by HK$5.9 million, or 44.0% from HK$13.4 million for the six months ended September 30, 2007 to HK$19.3 million for the six months ended September 30, 2008. The increase was mainly related to advertisement and promotion activities, fees to relevant professional marketing personnel and expenses on other marketing promotion activities in line with the launch of sales and leasing businesses in CP&J Project.

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

Under the unprecedented turmoil noted in the financial market during the quarter under review, a net unrealized loss on financial assets (listed equity investments in Hong Kong) at fair value amounted to HK$5.2 million was made for the six months ended September 30, 2008 against unrealized gain amounting to HK$ 1.2 million for the six months ended September 30, 2007. Save for this, the Group did not hold any other derivative or structured financial products. With continuing volatility in the global capital and debt markets, the Group will remain vigilant in closely monitoring and adjusting the investment portfolio.

Decrease in fair value of investment properties

According to the valuation reports dated September 30, 2008 issued by independent professional property valuers, the fair values of investment properties in the CP&J Project at September 30, 2008 decreased by HK$115.1 million (For the six months ended September 30, 2007: HK$Nil).

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Taxation

Taxation for the six months ended September 30, 2008 consisted of Hong Kong profits tax of HK$3.2 million (For the six months ended September 30, 2007: HK$4.0 million), land appreciation tax of HK$1.4 million (For the six months ended September 30, 2007: HK$Nil) arising from the sales of properties in CP&J Project and reversal of deferred taxation of HK$28.3 million (Provision of deferred taxation for the six months ended September 30, 2007: HK$0.4 million).

Loss attributable to equity shareholders

The Group recorded a loss attributable to equity shareholders of HK$21.7 million for the six months ended September 30, 2008 against profit attributable to equity shareholders of HK$38.0 million for the six months ended September 30, 2007. The net loss was mainly due to (a) the impairment loss of approximately HK$48.2 million (after deduction of minority interests) incurred on the fair values of investment properties; (b) the increase in SG&A expenses of HK$10.4 million which mainly related to the write-back of allowance for doubtful debts of HK$5.0 million for the six months ended September 30, 2007 as well as advertisement and promotion activities, fees to relevant professional marketing personnel and expenses on other marketing promotion activities in line with the launch of sales and leasing businesses in CP&J Project; and (c) a net unrealized loss on financial assets (listed equity investments in Hong Kong) of HK$5.2 million for the six months ended September 30, 2008.

PROSPECTS

The outlook of the global economy remains uncertain as the ripple effects of the global financial turmoil continues. We believe that our core markets for our pearl products (Europe and the United States) will be facing slower growth in the second half of our financial year. During these unprecedented, fast-changing times and credit tightening period, we will continue to adopt prudent business and financial management policies to maintain our market share for the pearl products and cautiously expanding new clientele in order to mitigate the slow down noted in the economy of our core markets. As for the property segment, the PRC government has recently announced an array of policies, including tax exemptions, a loosening of lending restrictions and a reduction of interest rates and mortgage deposit requirements, in an effort to encourage the development of the real estate market and domestic economy as a whole. Although these new policies have not yet had a material impact on our operations, if the PRC government continues to promote policies aimed at stabilizing and maintaining growth in the real estate market, it may have a positive effect on our operations in the future. The Group will closely monitor the development of the macroeconomic austerity measures adopted in China to adjust our sales, marketing and development plans for the CP&J Project so as to preserve our ability to rebound when the PRC government adjusts and uplifts these austerity measures.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2008, the Group had working capital of HK$448.7 million (At March 31, 2008 : HK$516.4 million). With sufficient committed banking facilities in place and cash on hand, the Group has adequate financial resources to meet our anticipated future liquidity requirements. Cash and cash equivalents amounted to HK$517.9 million (At March 31, 2008: HK$587.6 million) accounted for 49% (At March 31, 2008: 54%) of Group's total current assets at September 30, 2008. Current ratio slightly decreased from 1.9 at March 31, 2008 to 1.7 at September 30, 2008.

At September 30, 2008, the Group's total secured bank loans were HK$228.0 million (At March 31, 2008: HK$199.8 million) which was mainly related to CP&J Project. Gearing ratio at September 30, 2008, calculated on the basis of total bank borrowings to total equity, was 0.19 (At March 31, 2008 : 0.16). The Group had available bank facilities of HK$458.0 million (At March 31, 2008: HK$414.8 million) with various banks at September 30, 2008, of which HK$228.0 million (At March 31, 2008: HK$199.8 million) has been drawn down and HK$230.0 million (At March 31, 2008: HK$215.0 million) remained unutilized at September 30, 2008.

Other Information

SHARE OPTION

At September 30, 2008, details of the share options granted to the directors of the Company and eligible employees under the share option scheme adopted by the Company on August 2, 2002 are as follows:

					No. of share options					
Grantees	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Balance at April 1, 2008	Granted during the period	Exercised during the period	Lapsed during the period	Balance at September 30, 2008	Notes
Directors										
Mr. Cheng Chung Hing	May 2, 2006	May 2, 2006 to May 1, 2012	Nil	0.253	1,000,000	—	—	—	1,000,000	(1)(2)
Mr. Cheng Tai Po	May 2, 2006	May 2, 2006 to May 1, 2012	Nil	0.253	1,000,000	—	—	—	1,000,000	(1)(2)
Ms. Yan Sau Man, Amy	May 2, 2006	May 2, 2006 to May 1, 2012	Nil	0.253	10,000,000	—	—	—	10,000,000	(1)(2)
					12,000,000	—	—	—	12,000,000	
Other Employees	May 2, 2006	May 2, 2006 to May 1, 2012	Nil	0.253	15,000,000	—	—	—	15,000,000	(1),(2)
	September 18, 2006	September 18, 2006 to September 17, 2011	Nil	0.233	7,000,000	—	—	—	7,000,000	(1),(2)
	March 13, 2007	January 1, 2008 to March 12, 2012	March 13, 2007 to December 31, 2007	0.500	5,000,000	—	—	—	5,000,000	(1),(2)
					27,000,000	—	—	—	27,000,000	
					39,000,000	—	—	—	39,000,000	

Notes:

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

(2) The Company recorded the fair value of these share options as staff cost in the income statement. The Company will record the nominal value of the shares which is HK$0.10 per share issued pursuant to the exercise price of the share options as additional share capital and the Company will record the excess of the exercise price of the share options over nominal value of the shares in its share premium account. Any share options which have lapsed or been cancelled will be deducted from the balance of the share options.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

At September 30, 2008, the interests of each Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)(the "SFO")) which (a) were required to be 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 and short positions which the Director has taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Model Code") to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in ordinary shares of the Company

		Number of ordinary shares of HK$0.10 each held			
Name of director	**Capacity**	**Direct interest**	**Deemed interest** *(Note 3)*	**Total interest**	**Percentage of the issued share capital of the Company**
Mr. Cheng Chung Hing	Beneficial owner and interest of a controlled corporation	136,011,273	494,406,000	630,417,273	51.47%
Mr. Cheng Tai Po	Beneficial owner and interest of a controlled corporation	76,086,180	494,406,000	570,492,180	46.58%

Note 3: These shares were deemed interest of Mr. Cheng Chung Hing and Mr. Cheng Tai Po which were indirectly owned by (a) Man Sang Holdings, Inc. ("MHJ"), a company incorporated in the State of Nevada, the United States of America and (b) Cafoong Limited ("Cafoong"), a company incorporated in the British Virgin Islands. Both MHJ and Cafoong held their interest in shares of the Company, through an indirect interest in Man Sang International (B.V.I.) Limited ("MSBVI"), a company incorporated in the British Virgin Islands which directly holds these 494,406,000 shares. Cafoong indirectly holds 100% equity interest in MSBVI through MHJ, in which Cafoong holds 53.86% of the common stock and all the Series A preferred stock at September 30, 2008, which totally represent 69.24% of the voting rights of MHJ. Messrs. Cheng Chung Hing and Cheng Tai Po own 60% and 40% of the issued share capital of Cafoong, respectively.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(b) Long positions in underlying shares of the Company

The interest of the directors and chief executive in the share options of the Company are separately disclosed in the section "Share Option"

(c) Long positions in common stock of an associated corporation

Name of Director	Name of associated corporation	Capacity	Number of shares of common stocks *(Note 4)*	Percentage of the common stock of MHJ
Mr. Cheng Chung Hing	MHJ	Interest of a controlled corporation	3,437,501	53.86%
Mr. Cheng Tai Po	MHJ	Interest of a controlled corporation	3,437,501	53.86%

Note 4: These shares were deemed interests of Mr. Cheng Chung Hing and Mr. Cheng Tai Po and were directly and indirectly owned by Cafoong. Cafoong holds 53.86% of the common stock and all the Series A preferred stock of MHJ at September 30, 2008, which totally represent 69.24% of the voting rights of MSIL. Messrs. Cheng Chung Hing and Cheng Tai Po owned 60% and 40% of the issued share capital of Cafoong, respectively.

(d) Long positions in underlying common stocks of an associated corporation

There are no long positions in underlying common stocks of an associated corporation that need to be disclosed under this heading.

Save as disclosed above, none of the Directors and the chief executives of the Company had, at September 30, 2008, any interests in the share capital of the Company or any of its associated corporations (within the meaning of the SFO) which (a) 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 and short positions which the Director has taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Other Information

SUBSTANTIAL SHAREHOLDERS

At September 30, 2008, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO were as follow:

		Number of shares held			
Name of shareholder	**Capacity**	**Direct interest**	**Deemed interest**	**Percentage of issued share capital of the Company**	**Notes**
MSBVI	Beneficial Owner	494,406,000	—	40.36%	
MHJ	Interests of a controlled corporation	—	494,406,000	40.36%	5
Cafoong	Interests of a controlled corporation	—	494,406,000	40.36%	6

Note 5: This represented the deemed interest in 494,406,000 shares in the Company held by MSBVI which is a wholly-owned subsidiary of MHJ.

Note 6: This represented the deemed interest in 494,406,000 shares in the Company held by MSBVI whereby Cafoong together with its wholly owned subsidiaries directly and indirectly holds 53.86% of the common stock and all of the Series A preferred stock of MHJ at September 30, 2008, represented 69.24% of the voting rights of MHJ.

Save as disclosed above, at September 30, 2008, the Company has not been notified of any person (other than Directors or chief executives of the Company) or entity had an interests or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the six months ended September 30, 2008.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDERS

There are no specific performance obligations of the controlling shareholders that required to be disclosed under paragraph 13.18 of Chapter 13 of the Listing Rules.

Other Information

CORPORATE GOVERNANCE PRACTICE

The Board of Directors ("Board") and the management of the Company committed to the maintenance of good corporate governance practices and procedure. During the six months ended September 30, 2008, the Company has complied with the code provision set out in the Code of Corporate Governance Practice contained in Appendix 14 of the Listing Rules except for code provision A.2.1 and A.4.1.

According to code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng Chung Hing assumes both the said roles currently. Mr. Cheng Chung Hing who has outstanding industry experience, is one of the founders and substantial shareholders of the Group. The Board is of the view that it is in the best interest of the Group to have an executive chairman who is most knowledgeable about the business of the Group and is capable to guide the growth of the Group and report to the Board in a timely manner on pertinent issues and to facilitate open dialogue between the Board and management. In addition, the Group's business is best served when strategic planning and decisions are made and implemented by the management under the leadership of Mr. Cheng Chung Hing.

As required by code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Pursuant to relevant provisions of the Bye-laws of the Company, any director appointed to fill a casual vacancy shall hold office until the next annual general meeting of the Company and is therefore subject to re-election by the shareholders at that annual general meeting after his or her appointment. All Directors would retire at annual general meeting at least once every three years either by rotation pursuant to the retirement provisions of the Bye-laws or on voluntary basis. At the annual general meeting of the Company held on August 1, 2008, Mr. Cheng Chung Hing and Mr. Cheng Tai Po, both retired from their office and were re-elected as Directors.

On August 8, 2008 Ms. Hung Yuen Yee, Flavia was appointed an executive director of the Company. At September 30, 2008, the Board consists of a total of seven Directors, comprising four executive Directors and three Independent Non-executive Directors.

AUDIT COMMITTEE

Grant Thornton has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended September 30, 2008 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by The Hong Kong Institute of Certified Public Accountants. The audit committee of the Company, which comprises all three Independent Non-executive Directors, has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended September 30, 2008 and has recommended their adoption by the Board.

Other Information

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted a code of conduct regarding securities transactions of directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code. The Company confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Securities Code for the six months ended September 30, 2008.

By Order of the Board
Man Sang International Limited
CHENG CHUNG HING
Chairman

Hong Kong, November 13, 2008