



Man Sang International Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 0938

2009 Interim Report

the
Ultimate
name in Pearls

Face the world's challenges

Optimise the strengths of Man Sang

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 The Stock Exchange of Hong Kong Limited since 1997 under the stock code of 0938. The holding company of the Company, Man Sang International (B.V.I.) Limited, is a company incorporated in the British Virgin Islands with its shares listed on the NYSE Amex (formerly known as “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 facilities owned by the Group in Man Sang Industrial City in Shenzhen, the People’s Republic of China (the “PRC”). There are 27 blocks of buildings in total in Man Sang Industrial City encompassing a total gross floor area of approximately 76,000 square metres.

With its rich experience in pearl business over 25 years, the Group in 2006 joined with six major pearls and jewelry players in the PRC to develop a large-scale international pearls and jewelry trading platform, the China Pearls and Jewelry project (the “CP&J project”) in Zhuji of Zhejiang Province, the PRC. As of 30 September 2009, the Group had completed construction of phase one market centre of CP&J Project, which includes a total of 2,380 units (including 1,252 shop units and 1,128 booths), covering a total gross floor area of approximately 130,000 square metres. Most of the remaining developments of phase one, including manufacturing and processing areas, residential areas and multi-function buildings, will be completed within this financial year.

Contents

| | |
|----|--|
| 2 | Corporate Information |
| | Financial Information |
| 3 | Condensed Consolidated Income Statement |
| 4 | Condensed Consolidated Statement of Comprehensive Income |
| 5 | Condensed Consolidated Statement of Financial Position |
| 7 | Condensed Consolidated Statement of Changes in Equity |
| 8 | Condensed Consolidated Statement of Cash Flows |
| 9 | Notes to Condensed Interim Financial Statements |
| | Management Discussion and Analysis |
| 20 | Dividend |
| 20 | Closure of Register of Members |
| 20 | Business Review |
| 21 | Financial Review |
| 23 | Prospects |
| | Other Information |
| 24 | Share Option |
| 26 | Directors' Interests in Securities |
| 28 | Substantial Shareholders' Interests in Securities |
| 28 | Purchase, Sale or Redemption of Listed Securities |
| 28 | Specific Performance Obligations on Controlling Shareholders |
| 28 | Corporate Governance Practices |
| 29 | Audit Committee |
| 29 | Compliance with the Model Code |
| 30 | Future Arrangement in Relation to the Simultaneous Dissemination of Financial Results of the Company and Man Sang International (B.V.I.) Limited in Hong Kong |
| 30 | Change in Information of Directors |

Corporate Information

BOARD OF DIRECTORS

Chairman

Mr. Cheng Chung Hing (Non-executive Director)

Executive Directors

Mr. Cheng Tai Po (Deputy Chairman)

Mr. Lee Kang Bor, Thomas (Chief Executive Officer)

Ms. Yan Sau Man, Amy

Independent Non-executive Directors

Mr. Fung Yat Sang

Mr. Kiu Wai Ming

Mr. Lau Chi Wah, Alex

COMPANY SECRETARY

Mr. Pak Wai Keung, Martin

AUDIT COMMITTEE

Mr. Fung Yat Sang (Chairman)

Mr. Kiu Wai Ming

Mr. Lau Chi Wah, Alex

REMUNERATION COMMITTEE

Mr. Kiu Wai Ming (Chairman)

Mr. Fung Yat Sang

Mr. Lau Chi Wah, Alex

Mr. Cheng Chung Hing

Mr. Cheng Tai Po

AUDITORS

Ernst & Young

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

Industrial and Commercial Bank of China (Asia) Limited

Bank of Communications Co., Ltd.

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited

Ordinary Share (Stock Code: 0938)

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 2208, 22/F.

Sun Life Tower, The Gateway

15 Canton Road, Tsimshatsui

Kowloon

Hong Kong

Condensed Consolidated Income Statement

For the six months ended 30 September 2009

| | Notes | For the six months ended 30 September | |
|--|-------|---------------------------------------|---------------------------------|
| | | 2009 HK\$'000 (unaudited) | 2008 HK\$'000 (unaudited) |
| REVENUE | 4 | 148,602 | 211,937 |
| Cost of sales | | (94,903) | (122,982) |
| Gross profit | | 53,699 | 88,955 |
| Other income and gains, net | 4 | 8,883 | 6,467 |
| Selling and distribution costs | | (6,850) | (12,875) |
| Administrative expenses | | (37,454) | (46,233) |
| Net unrealised loss on financial assets at fair value through profit or loss | | (1,396) | (5,211) |
| Fair value loss on investment properties | | — | (115,083) |
| Finance costs | | (255) | — |
| Share of profit/(loss) of an associate | | 49 | (40) |
| Profit/(Loss) before tax | 5 | 16,676 | (84,020) |
| Tax | 6 | (2,077) | 23,770 |
| Profit/(Loss) for the period | | 14,599 | (60,250) |
| Attributable to: | | | |
| Shareholders of the Company | | 20,166 | (21,669) |
| Minority interests | | (5,567) | (38,581) |
| | | 14,599 | (60,250) |
| Dividend — interim | 7 | 36,742 | — |
| Earnings/(Loss) per share attributable to shareholders of the Company | 8 | | |
| — Basic | | HK1.65 cents | (HK1.77 cents) |
| — Diluted | | HK1.63 cents | N/A |

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2009

| | For the six months ended 30 September | |
|---|--|---------------------------------|
| | 2009 HK\$'000 (unaudited) | 2008 HK\$'000 (unaudited) |
| Profit/(Loss) for the period | 14,599 | (60,250) |
| Other comprehensive income/(loss): | | |
| Exchange difference on translation of foreign operations | (48) | 24,441 |
| Change in deferred tax liability of property revaluation arising from tax rate change | — | (238) |
| Other comprehensive (loss)/income for the period, net of tax | (48) | 24,203 |
| Total comprehensive income/(loss) for the period, net of tax | 14,551 | (36,047) |
| Attributable to : | | |
| Shareholders of the Company | 20,112 | (6,778) |
| Minority interests | (5,561) | (29,269) |
| | 14,551 | (36,047) |

Condensed Consolidated Statement of Financial Position

30 September 2009

| | Notes | 30 September 2009 HK\$'000 (unaudited) | 31 March 2009 HK\$'000 (audited) |
|---|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 38,347 | 40,158 |
| Investment properties | | 845,390 | 845,384 |
| Prepaid land lease payments | | 27,419 | 27,776 |
| Properties under development | 10 | — | 201,328 |
| Investment properties under construction | 11 | 189,246 | — |
| Interest in an associate | | 102 | 52 |
| Deferred tax assets | | 1,925 | — |
| Total non-current assets | | 1,102,429 | 1,114,698 |
| Current assets | | | |
| Inventories | | 41,154 | 41,942 |
| Properties under development | 10 | 54,353 | — |
| Completed properties held for sale | | 165,846 | 179,619 |
| Trade and other receivables | 12 | 173,658 | 226,553 |
| Financial assets at fair value through profit or loss | | 12,759 | 18,619 |
| Tax recoverable | | 2,728 | 3,479 |
| Restricted cash | | 17,000 | 17,000 |
| Cash and cash equivalents | | 558,969 | 462,766 |
| Total current assets | | 1,026,467 | 949,978 |
| Current liabilities | | | |
| Trade and other payables | 13 | 471,153 | 439,456 |
| Income taxes payable | | 72,951 | 68,507 |
| Interest-bearing bank loans | 14 | 180,797 | 90,400 |
| Total current liabilities | | 724,901 | 598,363 |
| Net current assets | | 301,566 | 351,615 |
| Total assets less current liabilities | | 1,403,995 | 1,466,313 |

Condensed Consolidated Statement of Financial Position (Continued)

30 September 2009

| | Notes | 30 September 2009 HK\$'000 (unaudited) | 31 March 2009 HK\$'000 (audited) |
|---|-------|---|---|
| Non-current liabilities | | | |
| Interest-bearing bank loans | 14 | 22,600 | 101,700 |
| Deferred tax liabilities | | 100,445 | 102,192 |
| Total non-current liabilities | | 123,045 | 203,892 |
| Net assets | | 1,280,950 | 1,262,421 |
| Equity | | | |
| Equity attributable to shareholders of the Company | | | |
| Issued capital | 15 | 122,474 | 122,474 |
| Reserves | | 1,015,344 | 991,254 |
| | | 1,137,818 | 1,113,728 |
| Minority interests | | 143,132 | 148,693 |
| Total equity | | 1,280,950 | 1,262,421 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009

| | Attributable to shareholders of the Company | | | | | | | | | | |
|---|---|-----------------------|---------------------------------|----------------------|------------------------------|------------------------------|-----------------|------------------|-------------|--------------------|--------------|
| | Issued capital | Share premium account | Other non-distributable reserve | Share option reserve | Property revaluation reserve | Exchange fluctuation reserve | General reserve | Retained profits | Total | Minority interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | | | (note a) | | | | (note b) | (note c) | | | |
| At 1 April 2008 | 122,474 | 319,787 | 1,801 | 5,668 | 76,952 | 26,913 | (36,112) | 703,790 | 1,221,273 | 204,368 | 1,425,641 |
| Total comprehensive income/(loss) for the period | — | — | — | — | (238) | 15,129 | — | (21,669) | (6,778) | (29,269) | (36,047) |
| Release on depreciation of leasehold land and buildings | — | — | — | — | (584) | — | — | 584 | — | — | — |
| Transferred to retained profits upon disposal of the properties | — | — | — | — | (147) | — | — | 147 | — | — | — |
| Final 2008 dividend | — | — | — | — | — | — | (36,742) | — | (36,742) | — | (36,742) |
| At 30 September 2008 | 122,474 | 319,787 | 1,801 | 5,668 | 75,983 | 42,042 | (72,854) | 682,852 | 1,177,753 | 175,099 | 1,352,852 |

| | Attributable to shareholders of the Company | | | | | | | | | | |
|---|---|-----------------------|---------------------------------|----------------------|------------------------------|------------------------------|-----------------|------------------|-------------|--------------------|--------------|
| | Issued capital | Share premium account | Other non-distributable reserve | Share option reserve | Property revaluation reserve | Exchange fluctuation reserve | General reserve | Retained profits | Total | Minority interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| | | | (note a) | | | | (note b) | (note c) | | | |
| At 1 April 2009 | 122,474 | 319,787 | 1,801 | 5,668 | 66,483 | 36,996 | (72,854) | 633,373 | 1,113,728 | 148,693 | 1,262,421 |
| Total comprehensive income/(loss) for the period | — | — | — | — | — | (54) | — | 20,166 | 20,112 | (5,561) | 14,551 |
| Equity-settled share option arrangement | — | — | — | 3,978 | — | — | — | — | 3,978 | — | 3,978 |
| Release on depreciation of leasehold land and buildings | — | — | — | — | (19) | — | — | 19 | — | — | — |
| Transferred to retained profits upon disposal of the properties | — | — | — | — | (794) | — | — | 794 | — | — | — |
| At 30 September 2009 | 122,474 | 319,787* | 1,801* | 9,646* | 65,670* | 36,942* | (72,854)* | 654,352* | 1,137,818 | 143,132 | 1,280,950 |

* These reserve accounts comprise the consolidated reserves of HK\$1,015,344,000 (unaudited) (31 March 2009: HK\$991,254,000) in the condensed consolidated statement of financial position as at 30 September 2009.

Notes:

- Other non-distributable reserve is arising from the transactions under corporation reorganisation in 1997.
- General reserve represents the dividend paid out of the contributed surplus by the Company.
- The Group's retained profits included an amount of HK\$11,818,000 (unaudited) (30 September 2008: HK\$9,852,000 (unaudited)) 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 PRC subsidiaries.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2009

| | For the six months ended 30 September | |
|--|--|---------------------------------|
| | 2009 HK\$'000 (unaudited) | 2008 HK\$'000 (unaudited) |
| Net cash inflow/(outflow) from operating activities | 31,985 | (1,548) |
| Net cash inflow/(outflow) from investing activities | 49,952 | (60,306) |
| Net cash inflow/(outflow) from financing activities | 14,266 | (15,271) |
| Net increase/(decrease) in cash and cash equivalents | 96,203 | (77,125) |
| Cash and cash equivalents at beginning of period | 462,766 | 587,602 |
| Effect of foreign exchange rate changes, net | — | 7,472 |
| Cash and cash equivalents at end of period | 558,969 | 517,949 |
| Analysis of the balances of cash and cash equivalents | | |
| Cash and bank balances | 281,227 | 123,217 |
| Time deposits | 294,742 | 394,732 |
| Less: Restricted cash | 575,969 (17,000) | 517,949 — |
| | 558,969 | 517,949 |

Notes to Condensed Interim Financial Statements

For the six months ended 30 September 2009

1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2009.

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 and buildings, which are stated at fair values.

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 March 2009 and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations (“Int”)) issued by HKICPA, except that the Group has in the current period applied, for the first time the following new and revised HKFRSs:

| | |
|--|---|
| HKFRS 1 and HKAS 27 Amendments | Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> |
| HKFRS 2 Amendments | Amendments to HKFRS 2 <i>Share-based Payment — Vesting Conditions and Cancellations</i> |
| HKFRS 7 Amendments | Amendments to HKFRS 7 <i>Financial Instruments: Disclosure — Improving Disclosures</i> |
| HKFRS 8 | <i>Operating Segments</i> |
| HKAS 1 (Revised) | <i>Presentation of Financial Statements</i> |
| HKAS 23 (Revised) | <i>Borrowing Costs</i> |
| HKAS 32 and HKAS 1 Amendments | Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation</i> |
| HK International Financial Reporting Interpretations Committee (“IFRIC”) — Int 9 and HKAS 39 Amendments | Amendments to HK(IFRIC) — Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement — Embedded Derivatives</i> |
| HK(IFRIC) — Int 13 | <i>Customer Loyalty Programmes</i> |
| HK(IFRIC) — Int 15 | <i>Agreements for the Construction of Real Estate</i> |
| HK(IFRIC) — Int 16 | <i>Hedges of a Net Investment in a Foreign Operation</i> |

Notes to Condensed Interim Financial Statements

For the six months ended 30 September 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Apart from the above, the HKICPA has issued *Improvements to HKFRSs** in October 2008 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wordings. Except for the amendments to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

* *Improvements to HKFRSs* contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

Except for HKAS 1 (Revised), HKFRS 8 and amendments to HKAS 40 giving rise to new accounting policies and additional disclosure as further described below, the adoption of the new interpretations and amendments has had no significant effect on these condensed consolidated interim financial statements.

HKAS 1 (Revised) prohibits the presentation of items of income and expenses, which are “non-owner changes in equity”, in the statement of changes in equity. These items have to be presented separately from owner changes in equity and shown in a performance statement. The Group has elected to present two performance statements including an income statement and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

HKFRS 8 replaces HKAS 14 *Segment Reporting*. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The adoption of this standard did not have any material impact on the disclosure of segment information.

As a result of the amendments to HKAS 40, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss. Previously such property was carried at cost until the construction was completed at which time it was fair valued with any gain or loss being recognised in profit or loss. This amendment is applied prospectively. As a result of this amendment, the Group has reclassified HK\$171 million from properties under development to investment properties under construction. The Group has concluded that the fair value of its investment properties under construction cannot be measured reasonably, therefore, the Group’s investment properties under construction continue to be measured at cost until construction is completed.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

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

- (i) Pearls and jewelry — Purchasing, processing, assembling, merchandising, wholesale distribution of pearls and jewelry products; and
- (ii) Property development and investment — Development, sales and leasing of properties.

Notes to Condensed Interim Financial Statements

For the six months ended 30 September 2009

3. SEGMENT INFORMATION (Continued)

The following tables present revenues and results of the Group's reportable operating segments for the six months ended 30 September 2009 and 2008, respectively.

| 2009 | Pearls and jewelry HK\$'000 (unaudited) | Property development and investment HK\$'000 (unaudited) | Consolidated HK\$'000 (unaudited) |
|---|--|--|---|
| Revenue | | | |
| External sales or rentals | 116,155 | 32,447 | 148,602 |
| Segment results | 11,090 | 5,324 | 16,414 |
| Interest and dividend income and other unallocated gains | | | 7,845 |
| Unallocated expenses | | | (7,377) |
| Finance costs | | | (255) |
| Share of profit of an associate | | | 49 |
| Profit before tax | | | 16,676 |
| 2008 | | | |
| Revenue | | | |
| External sales or rentals | 190,441 | 21,496 | 211,937 |
| Segment results | 34,901 | (115,243) | (80,342) |
| Interest and dividend income and other unallocated gains | | | 5,673 |
| Unallocated expenses | | | (9,311) |
| Share of loss of an associate | | | (40) |
| Loss before tax | | | (84,020) |

Notes to Condensed Interim Financial Statements

For the six months ended 30 September 2009

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, 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.

An analysis of the Group's revenue, other income and gains, net is as follows:

| | For the six months ended 30 September | |
|---|--|---------------------------------|
| | 2009 HK\$'000 (unaudited) | 2008 HK\$'000 (unaudited) |
| Revenue | | |
| Sales of pearls and jewelry | 116,155 | 190,441 |
| Sales of properties | 20,060 | 9,135 |
| Rental income | 12,387 | 12,361 |
| | 148,602 | 211,937 |
| Other income | | |
| Bank interest income | 876 | 5,298 |
| Dividend income from financial assets at fair value through profit or loss | 374 | 375 |
| Others | 1,033 | 661 |
| | 2,283 | 6,334 |
| Gains, net | | |
| Gain on disposal of financial assets at fair value through profit or loss, net | 6,595 | — |
| Gain on disposal of items of property, plant and equipment | 5 | 133 |
| | 6,600 | 133 |
| Other income and gains, net | 8,883 | 6,467 |

Notes to Condensed Interim Financial Statements

For the six months ended 30 September 2009

5. PROFIT/(LOSS) BEFORE TAX

| | For the six months ended 30 September | |
|--|---------------------------------------|---------------------------------|
| | 2009 HK\$'000 (unaudited) | 2008 HK\$'000 (unaudited) |
| The Group's profit/(loss) before tax is arrived at after charging/(crediting): | | |
| Finance costs: | | |
| Interest on bank borrowings | 5,868 | 8,641 |
| Less: Amount capitalised | (5,613) | (8,641) |
| | 255 | — |
| Staff costs, including directors' emoluments | 34,604 | 32,046 |
| Depreciation of property, plant and equipment | 3,781 | 4,986 |
| Amortisation of prepaid land lease payments | 357 | 382 |

6. TAX

| | For the six months ended 30 September | |
|--|---------------------------------------|---------------------------------|
| | 2009 HK\$'000 (unaudited) | 2008 HK\$'000 (unaudited) |
| Current income taxes: | | |
| Hong Kong profits tax | 1,617 | 3,208 |
| PRC corporate income tax | 3,943 | — |
| PRC land appreciation tax | 215 | 1,361 |
| | 5,775 | 4,569 |
| Deferred | (3,698) | (28,339) |
| Total tax charge/(credit) for the period | 2,077 | (23,770) |

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Notes to Condensed Interim Financial Statements

For the six months ended 30 September 2009

6. TAX (Continued)

PRC corporate income tax

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

PRC land appreciation tax

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.

7. DIVIDEND

| | For the six months ended 30 September | |
|--|--|---------------------------------|
| | 2009 HK\$'000 (unaudited) | 2008 HK\$'000 (unaudited) |
| 2009 interim dividend, declared, of HK3.00 cents (six months ended 30 September 2008: Nil) per ordinary share | 36,742 | — |

At the board meeting held on 16 December 2009, the Board declared an interim dividend of HK3.00 cents per ordinary share for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil). This dividend has not been reflected as dividend payable in the unaudited condensed consolidated interim financial statements.

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share amount is based on the profit for the six months ended 30 September 2009 attributable to shareholders of the Company of approximately HK\$20,166,000 (unaudited) (six months ended 30 September 2008: loss of HK\$21,669,000), and the weighted average number of 1,224,740,207 (six months ended 30 September 2008: 1,224,740,207) ordinary shares in issue during the six months ended 30 September 2009.

The calculation of diluted earnings per share amount for the six months ended 30 September 2009 is based on the profit for the six months ended 30 September 2009 attributable to shareholders of the Company of approximately HK\$20,166,000 (unaudited) and 1,238,809,915 ordinary shares, which represented the weighted average of 1,224,740,207 ordinary shares in issue during the six months ended 30 September 2009, and the weighted average of 14,069,708 ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the six months ended 30 September 2009.

A dilutive loss per share amount for six months ended 30 September 2008 is not presented as all the share options had an anti-dilutive effect on the basic loss per share for that period.

Notes to Condensed Interim Financial Statements

For the six months ended 30 September 2009

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2009, the Group acquired property, plant and equipment of approximately HK\$1,971,000 (unaudited) (six months ended 30 September 2008: HK\$2,267,000 (unaudited)). In addition, the Group disposed of certain property, plant and equipment at a consideration of approximately HK\$5,000 (unaudited) (six months ended 30 September 2008: HK\$220,000 (unaudited)) with a gain on disposal of property, plant and equipment of approximately HK\$5,000 (unaudited) (six months ended 30 September 2008: HK\$134,000 (unaudited)).

No revaluation adjustment arising from revaluation of buildings was recognised during the six months ended 30 September 2009 and 2008.

10. PROPERTIES UNDER DEVELOPMENT

During the six months ended 30 September 2009, the Group capitalised construction costs of approximately HK\$24,383,000 (unaudited) (six months ended 30 September 2008: HK\$40,106,000 (unaudited)) as property under development. The Group's properties under development are located in the PRC and are held under medium term land use rights. As a result of the adoption of the amendments to HKAS 40 under *Improvements to HKFRSs*, the Group has reclassified HK\$171,358,000 from properties under development to investment properties under construction as at 1 April 2009.

11. INVESTMENT PROPERTIES UNDER CONSTRUCTION

Apart from the reclassification from properties under development as mentioned in note 10 above, during the six months ended 30 September 2009, the Group capitalised construction costs of approximately HK\$17,888,000 to investment properties under construction. The Group's investment properties under construction are located in the PRC and are held under medium term land use rights.

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 amortised 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\$93,634,000 (unaudited) (31 March 2009: HK\$98,649,000) and their ageing analysis after credit period is as follows:

| | 30 September 2009 HK\$'000 (unaudited) | 31 March 2009 HK\$'000 (audited) |
|----------------|---|---|
| 0 to 60 days | 70,305 | 52,842 |
| 61 to 120 days | 6,572 | 9,564 |
| Over 120 days | 16,757 | 36,243 |
| | 93,634 | 98,649 |

Notes to Condensed Interim Financial Statements

For the six months ended 30 September 2009

13. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$137,282,000 (unaudited) (31 March 2009: HK\$109,964,000) and their ageing analysis after payment due date is as follows:

| | 30 September 2009 HK\$'000 (unaudited) | 31 March 2009 HK\$'000 (audited) |
|----------------|---|---|
| 0 to 60 days | 133,149 | 98,744 |
| 61 to 120 days | 2,573 | 992 |
| Over 120 days | 1,560 | 10,228 |
| | 137,282 | 109,964 |

14. INTEREST-BEARING BANK LOANS

| | 30 September 2009 HK\$'000 (unaudited) | 31 March 2009 HK\$'000 (audited) |
|---|---|---|
| Bank loans, secured | 203,397 | 192,100 |
| Analysed into: | | |
| Within one year | 180,797 | 90,400 |
| In the second year | 22,600 | 101,700 |
| In the third to fifth years, inclusive | — | — |
| | 203,397 | 192,100 |
| Portion classified as current liabilities | (180,797) | (90,400) |
| Non-current portion | 22,600 | 101,700 |

The carrying amount of bank loans approximates its fair values. The bank loans are dominated in Renminbi and carried at interest rate approximately ranged from 4.8% to 6.1% per annum. At 30 September 2009, the Group has pledged property, plant and equipment, investment properties, investment properties under construction, properties under development and completed properties held for sale located in the PRC with total carrying values of approximately HK\$281,483,000 (unaudited) (31 March 2009: HK\$564,376,000) to banks to secure these bank borrowings. During the six months ended 30 September 2009, the pledge of investment properties, investment properties under construction and completed properties held for sales securing the bank loan were partially released as a result of the repayment of the loans.

Notes to Condensed Interim Financial Statements

For the six months ended 30 September 2009

15. ISSUED CAPITAL

| | 30 September 2009 HK\$'000 (unaudited) | 31 March 2009 HK\$'000 (audited) |
|--|---|---|
| Authorised: 5,000,000,000 (31 March 2009: 5,000,000,000) ordinary shares of HK\$0.10 each | 500,000 | 500,000 |
| Issued and fully paid: 1,224,740,207 (31 March 2009: 1,224,740,207) ordinary shares of HK\$0.10 each | 122,474 | 122,474 |

16. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

(a) **Transactions with related parties:**

| | Note | For the six months ended 30 September | |
|---|------|--|---------------------------------|
| | | 2009 HK\$'000 (unaudited) | 2008 HK\$'000 (unaudited) |
| Reimbursement of rental charges and other utility expenses paid on behalf | (i) | 939 | 447 |

In the opinion of directors, the above transaction was entered into by the Group in the normal course of its business.

Note:

- (i) Rental fees, management fees, air-conditioning fees and utilities fees were received from the related company, which the directors of the Company had beneficial interests in, under the sharing of office agreement dated 1 July 2008 for a term of 3 years.

Notes to Condensed Interim Financial Statements

For the six months ended 30 September 2009

16. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel of the Group:

| | For the six months ended 30 September | |
|--|---------------------------------------|---------------------------------|
| | 2009 HK\$'000 (unaudited) | 2008 HK\$'000 (unaudited) |
| Short term employee benefits | 7,681 | 5,174 |
| Share-based payments | 1,618 | — |
| Total compensation paid to key management personnel | 9,299 | 5,174 |

17. CAPITAL COMMITMENTS

The Group had the following capital commitments at the statement of financial position date:

| | 30 September 2009 HK\$'000 (unaudited) | 31 March 2009 HK\$'000 (audited) |
|--|---|---|
| Capital expenditure in connection with property development contracted, but not provided for | 40,311 | 117,173 |

18. OPERATING LEASE ARRANGEMENTS

(a) As lessee

At 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 30 September 2009 HK\$'000 (unaudited) | 31 March 2009 HK\$'000 (audited) |
|---|---|---|
| Within one year | 8,025 | 14,365 |
| In the second to fifth years, inclusive | 5,242 | 13,426 |
| | 13,267 | 27,791 |

Notes to Condensed Interim Financial Statements

For the six months ended 30 September 2009

18. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessor

At 30 September 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with tenants of the Group's properties falling due as follows:

| | 30 September 2009 HK\$'000 (unaudited) | 31 March 2009 HK\$'000 (audited) |
|---|---|---|
| Within one year | 25,147 | 20,178 |
| In the second to fifth years, inclusive | 18,785 | 25,263 |
| | 43,932 | 45,441 |

19. CONTINGENT LIABILITIES

As at 30 September 2009, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately HK\$41.6 million (unaudited) (31 March 2009: HK\$52.2 million). This represented the guarantees in respect of mortgage facilities granted by a PRC bank related to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with accrued interest and penalty owed by the defaulted purchasers to the bank. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates to the purchasers.

The fair value of the guarantees is not significant and the Group considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principal together with accrued interest and penalty and therefore no provision has been made as at 30 September 2009 and 31 March 2009 in the financial statements for the guarantees.

20. COMPARATIVE AMOUNTS

Certain comparative amounts have been re-classified to conform to the current period's presentation.

Management Discussion and Analysis

DIVIDEND

The Board has resolved to declare an interim dividend of HK3.00 cents per share for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil), payable to shareholders whose names appear on the Register of Members of the Company on Tuesday, 5 January 2010.

The interim dividend will be paid on or around Wednesday, 20 January 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed on Tuesday, 5 January 2010, on which day, no transfer of shares will be registered. In order to qualify for the interim dividend, all valid documents for the transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 4 January 2010.

BUSINESS REVIEW

Pearl Operations

The global economic downturn triggered by the United States financial and credit crisis in second half of 2008 has badly hit the Hong Kong economy. Merchandise exports, including re-exports, declined by 17% and 14% for first two quarters of 2009 and the third quarter of 2009, respectively, as compared to the same periods in 2008. Though there are signs that demand for export has ceased to worsen, however, the future development of global economy, particularly in the luxury product market, is still hard to predict. Persistent high unemployment rates were posted in the United States and Europe, in which our major customers operate. We anticipate the economies of the United States and Europe will take longer to stabilise and recover. Customers remain cautious about increasing their levels of inventory, which adversely affects demands for products in our Pearl Operation. With the difficult business environment for Pearl Operation, we will continue to monitor the effects of the financial crisis in the markets where we operate and to adopt appropriate business and financial management policies in order to capture business growth opportunities when the economy improves.

Real Estate Operations

The fiscal stimulus programs initiated by the Chinese government creating additional liquidity of RMB4,000 billion have produced results. China's gross domestic product ("GDP"), according to the National Bureau of Statistics of China, grew by 7.7% in first three quarters of 2009. The Chinese government has also introduced measures to stabilise the real estate market, such as lowering the required minimum amount of down payment and exemption of stamp duty and business tax on certain property transactions. In response to tightening financial and credit markets, the People's Bank of China has reduced the one year base lending rate from 7.47% to 5.31%.

As a result of the implementation of the stimulus measures, signs of stabilisation in economic conditions emerge, illustrated by the upward growth trend of quarterly GDPs and fixed asset investments during the first three quarters in 2009. China is well-positioned to maintain economic growth during the current global financial crisis. Our promoting activities for China Pearls and Jewellery Project ("CP&J Project") have also borne fruits, revenue of our Real Estate Operations increased by 51% from HK\$21.5 million for the six months ended 30 September 2008 to HK\$32.4 million for the six months ended 30 September 2009. We anticipate the performance of real

Management Discussion and Analysis

estate sector in the PRC will improve provided that the global economic conditions would not worsen further and that no macroeconomic measures would be taken to restrict the growth in the real estate sector. We continue to hold an optimistic view on the real estate market in China in the medium to longer term.

FINANCIAL REVIEW

The Group has two main business segments during the period. One business segment is in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the “Pearl Segment”) while the other is in property development and investment (the “Property Segment”).

Revenue and Gross Profit

(i) Pearl Segment

Net sales attributable to our Pearl Segment decreased by HK\$74.3 million, or 39.0%, from HK\$190.4 million for the six months ended 30 September 2008 to HK\$116.1 million for the six months ended 30 September 2009 due to the decrease in market demand worldwide, as a result of the current global economic contraction and recession.

Gross profit decreased by HK\$26.5 million or 36.9%, from HK\$71.9 million for the six months ended 30 September 2008 to HK\$45.4 million for the six months ended 30 September 2009. Such decrease was primarily attributable to the decrease in net sales in our overall market due to the global economic downturn. Gross profit margin attributable to our Pearl Segment increased from 37.8% for the six months ended 30 September 2008 to 39.1% for the six months ended 30 September 2009. The increase in gross profit margin was primarily a result of the lower cost of pearls sourced from the PRC caused by slackened demand.

(ii) Property Segment

For the six months ended 30 September 2009, the Property Segment recorded a total revenue of HK\$32.4 million (six months ended 30 September 2008: HK\$21.5 million) including the sales of properties in CP&J Project and rental income from the investment properties.

Income from the sales of properties in CP&J Project increased more than a double from HK\$9.1 million for the six months ended 30 September 2008 to HK\$20.1 million for the six months ended 30 September 2009. To improve sales, preferential discounts were offered to investors who purchased the shops in large numbers during the current period, resulting in a decrease in a gross margin from 67% for the six months ended 30 September 2008 to 26% for the six months ended 30 September 2009.

Rental income maintained at HK\$12.4 million for both the six months ended 30 September 2008 and 2009. Rental income amounting to HK\$9.2 million (six months ended 30 September 2008: HK\$8.7 million) and HK\$3.2 million (six months ended 30 September 2008: HK\$3.7 million) were from the properties of CP&J Project and other properties in Hong Kong and the PRC respectively.

Management Discussion and Analysis

Selling and Administrative Expenses (the “S&A expenses”)

(i) Pearl Segment

S&A expenses slightly increased by HK\$0.8 million, or 2.0% from HK\$39.9 million for the six months ended 30 September 2008 to HK\$40.7 million for the six months ended 30 September 2009. The increase was primarily due to an increase of HK\$4.0 million in share based payment for share options granted under staff incentive scheme. This increase was partially offset by a decrease of HK\$1.6 million in provision for doubtful debts and a decrease of HK\$0.8 million in the marketing expenses.

(ii) Property Segment

S&A expenses decreased by HK\$15.6 million, or 81.3% from HK\$19.2 million for the six months ended 30 September 2008 to HK\$3.6 million for the six months ended 30 September 2009. The decrease was mainly due to a decrease of HK\$4.5 million in advertising and promotion costs associated with CP&J Project and the write-back of allowance for doubtful debts of HK\$5.5 million.

Net unrealised loss on financial assets at fair value through profit or loss

Under a volatile stock market, net unrealised loss on financial assets (listed equity investments in Hong Kong) amounted to HK\$1.4 million was recorded for the six months ended 30 September 2009 against net unrealised loss amounted to HK\$5.2 million for the six months ended 30 September 2008. The Group did not hold any derivative or structured financial products as at the date hereof.

Profit/(Loss) attributable to shareholders

The Group recorded a profit attributable to shareholders of HK\$20.2 million for the six months ended 30 September 2009 against a loss attributable to shareholders of HK\$21.7 million for the six months ended 30 September 2008. The significant loss for the six months ended 30 September 2008 was primarily due to the decrease in fair value of the investment properties of HK\$115.1 million. No similar devaluation was made in the current period.

Liquidity and capital resources

At 30 September 2009, the Group's total shareholders' funds amounted to HK\$1,137.8 million (31 March 2009: HK\$1,113.7 million). At 30 September 2009, the Group had working capital of HK\$301.6 million (31 March 2009: HK\$351.6 million). With the committed banking facilities in place and cash on hand, the Group has adequate financial resources to meet our anticipated future liquidity requirements. Cash and cash equivalents amounted to HK\$559.0 million (31 March 2009: HK\$462.8 million) and accounted for 54% (31 March 2009: 49%) of Group's total current assets at 30 September 2009. Current ratio decreased from 1.6 at 31 March 2009 to 1.4 at 30 September 2009.

At 30 September 2009, the Group's total secured bank loans were HK\$203.4 million (31 March 2009: HK\$192.1 million) which was mainly associated with CP&J Project. Gearing ratio, represents the ratio of total bank borrowings to total equity attributable to shareholders, was 0.18 as at 30 September 2009 (31 March 2009: 0.17).

Management Discussion and Analysis

At 30 September 2009, the Group had available bank facilities of HK\$353.4 million (31 March 2009: HK\$392.1 million) with various banks of which HK\$203.4 million (31 March 2009: HK\$192.1 million) has been drawn and HK\$150.0 million (31 March 2009: HK\$200.0 million) remained unutilised. The Group does not currently use any derivatives to manage our interest rate risk.

For the six months ended 30 September 2009, most of the Group's transactions were denominated in US dollars, Hong Kong dollars and Renminbi. Since the Hong Kong dollar remains pegged to the US dollar within a defined range, the Group has not been exposed to any significant foreign exchange risk, and therefore had not adopted any hedging measures. The Group has subsidiaries engaging in business in the PRC, with most of its transactions dominated in Renminbi. Since the Group obtains Renminbi through revenue and bank loans in the PRC for the settlement of liabilities in Renminbi, the Group was not exposed to any significant exchange risk on Renminbi.

PROSPECTS

Following the introduction of stimulus measures initiated by various governments, global economic contraction began to ease. There are signs of recovery in some economic sectors. The economy in China has taken the lead in the recovery; based on recently released data, China's GDP growth in 2009 is expected to meet the targeted 8%. However, there are still uncertainties and mixed signals in the global economy such as the persistent high unemployment rate in the United States and the latest news on Dubai World which have impacts on the consumer spending that may adversely affect our sales and profit.

Looking forward, we will continue to strengthen our operation and management and closely monitor the market trend and development. We are equipped to carry out timely and appropriate business and financial management policies to capture any opportunities when the economic conditions improve.

Other Information

SHARE OPTION

During the six months ended 30 September 2009, 38,750,000 share options were granted to directors of the Company (the “Director(s)”) and certain employees of the Group under the share option scheme adopted by the Company on 2 August 2002 (the “2002 Share Options Scheme”) for an aggregate consideration of HK\$27. The fair value of the options granted during the period calculated using the Black-Scholes option pricing model was HK\$8,032,000. No option was granted during the six months ended 30 September 2008.

Details of the share options granted to the Directors and eligible employees under the 2002 Share Option Scheme and their movements during the reporting period are set out as follows:

| Grantees | Date of grant | Exercisable period | Vesting period | Exercise price HK\$ | No. of share options | | | | Balance as at 30 September 2009 | Notes |
|--------------------------|-------------------|--|----------------|------------------------|----------------------------|---------------------------|-----------------------------|--------------------------|---------------------------------|----------|
| | | | | | Balance as at 1 April 2009 | Granted during the period | Exercised during the period | Lapsed during the period | | |
| Directors | | | | | | | | | | |
| Mr. Cheng Chung Hing | 2 May 2006 | 2 May 2006 to 1 May 2012 | Nil | 0.253 | 1,000,000 | — | — | — | 1,000,000 | (1), (2) |
| Mr. Cheng Tai Po | 2 May 2006 | 2 May 2006 to 1 May 2012 | Nil | 0.253 | 1,000,000 | — | — | — | 1,000,000 | (1), (2) |
| Ms. Yan Sau Man, Amy | 2 May 2006 | 2 May 2006 to 1 May 2012 | Nil | 0.253 | 10,000,000 | — | — | — | 10,000,000 | (1), (2) |
| | 1 September 2009 | 1 September 2009 to 31 August 2012 | Note (3) | 0.450 | — | 8,000,000 | — | — | 8,000,000 | (1), (2) |
| Mr. Lee Kang Bor, Thomas | 1 September 2009 | 1 September 2010 to 31 August 2012 | Note (4) | 0.450 | — | 10,000,000 | — | — | 10,000,000 | (1), (2) |
| | | | | | 12,000,000 | 18,000,000 | — | — | 30,000,000 | |
| Other Employees | | | | | | | | | | |
| | 2 May 2006 | 2 May 2006 to 1 May 2012 | Nil | 0.253 | 15,000,000 | — | — | — | 15,000,000 | (1), (2) |
| | 18 September 2006 | 18 September 2006 to 17 September 2011 | Nil | 0.233 | 7,000,000 | — | — | — | 7,000,000 | (1), (2) |
| | 13 March 2007 | 1 January 2008 to 12 March 2012 | Note (5) | 0.500 | 5,000,000 | — | — | — | 5,000,000 | (1), (2) |
| | 27 August 2009 | 27 August 2009 to 26 August 2012 | Note (6) | 0.397 | — | 20,750,000 | — | — | 20,750,000 | (1), (2) |
| | | | | | 27,000,000 | 20,750,000 | — | — | 47,750,000 | |
| | | | | | 39,000,000 | 38,750,000 | — | — | 77,750,000 | |

Other Information

Notes:

- (1) These share options represent personal interest held as beneficial owners.
- (2) The Company recorded the fair value of these share options as staff cost in the income statement. The Company will record the nominal value of the shares which is HK\$0.10 per share issued pursuant to the exercise price of the share options as additional share capital and the Company will record the excess of the exercise price of the share options over nominal value of the shares in its share premium account. Any share options which have lapsed or been cancelled will be deducted from the balance of the share options.
- (3) 2,500,000 options were vested on the date of grant, vesting period of another 2,500,000 options is from 1 September 2009 to 31 August 2010 and that of the remaining 3,000,000 options is from 1 September 2009 to 31 August 2011.
- (4) Vesting period of 5,000,000 options is from 1 September 2009 to 31 August 2010 and that of the remaining 5,000,000 options is from 1 September 2009 to 31 August 2011.
- (5) Vesting period of these options was from 13 March 2007 to 31 December 2007.
- (6) 14,750,000 options were vested on the date of grant, vesting period of 3,000,000 options is from 27 August 2009 to 26 August 2010 and that of the remaining 3,000,000 options is from 27 August 2009 to 26 August 2011.

The fair value of equity-settled share options granted was estimated as at the respective dates of grant, using the Black-Scholes option pricing model. The following table lists the inputs to the model used:

| Date of grant | 27 August 2009 | 1 September 2009 |
|---|----------------|------------------|
| Number of share options granted | 20,750,000 | 18,000,000 |
| Weighted average share price on the date of grant | HK\$0.390 | HK\$0.450 |
| Exercise price | HK\$0.397 | HK\$0.450 |
| Expected volatility | 90.63% | 90.63% |
| Expected life | 2.5 years | 2.5 years |
| Risk-free interest rate | 0.990% | 0.990% |
| Expected dividend yield | 1.810% | 1.810% |

Total expense of HK\$3,978,000 was recognised in the income statement for the six months ended 30 September 2009 in relation to share options granted by the Company. No expense was recognised for the six months ended 30 September 2008.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were set out below:

(a) Long positions in ordinary shares of the Company

| Name of Director | Capacity | Number of ordinary shares of HK\$0.10 each held | | | Percentage of the issued share capital of the Company |
|----------------------|--|--|--------------------------------|-------------------|---|
| | | Direct interest | Deemed interest (Note 7) | Total interest | |
| 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 7: These 494,406,000 shares of the Company were indirectly owned by Cafoong Limited ("Cafoong"), a company incorporated in the British Virgin Islands. Cafoong held its interest in the aforementioned shares of the Company, through direct and indirect interest in Man Sang International (B.V.I.) Limited ("MSBVI"), a company incorporated in the British Virgin Islands, which directly holds such aforementioned shares of the Company. Cafoong holds 53.86% of the ordinary shares and all the preferred shares of MSBVI as at 30 September 2009, which represent in aggregate 69.24% of the voting rights of MSBVI. Mr. Cheng Chung Hing and Mr. Cheng Tai Po own 60% and 40% of the issued share capital of Cafoong respectively.

(b) Long positions in underlying shares of the Company

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

Other Information

(c) Long positions in ordinary shares of an associated corporation

| Name of Director | Name of associated corporation | Capacity | Number of ordinary shares of US\$0.001 each held (Note 8) | Percentage of the issued ordinary share of MSBVI |
|----------------------|--------------------------------|--------------------------------------|--|--|
| Mr. Cheng Chung Hing | MSBVI | Interest of a controlled corporation | 3,437,501 | 53.86% |
| Mr. Cheng Tai Po | MSBVI | Interest of a controlled corporation | 3,437,501 | 53.86% |

Note 8: These 3,437,501 ordinary shares of MSBVI were directly and indirectly owned by Cafoong. Cafoong holds 53.86% of the ordinary shares and all the preferred shares of MSBVI as at 30 September 2009, which represent in aggregate 69.24% of the voting rights of MSBVI. Mr. Cheng Chung Hing and Mr. Cheng Tai Po own 60% and 40% of the issued share capital of Cafoong respectively.

(d) Long positions in underlying shares of an associated corporation

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

Save as disclosed above, none of the Directors or the chief executives of the Company had, as at 30 September 2009, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 September 2009, substantial shareholders' interests in securities, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, were as follows:

| Name of shareholder | Capacity | Number of ordinary shares of HK\$0.10 each held | | Percentage of the issued share capital of the Company | Notes |
|---------------------|--------------------------------------|---|-----------------|---|-------|
| | | Direct interest | Deemed interest | | |
| MSBVI | Beneficial Owner | 494,406,000 | — | 40.36% | — |
| Cafoong | Interest of a controlled corporation | — | 494,406,000 | 40.36% | 9 |

Note 9: 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 ordinary shares and all the preferred shares of MSBVI as at 30 September 2009 which represent in aggregate 69.24% of the voting rights of MSBVI.

Save as disclosed above, as at 30 September 2009, the Company has not been notified of any person (other than Directors or chief executive of the Company) or entity had an interest or a short position in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept by the Company 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 30 September 2009.

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.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company committed to the maintenance of good corporate governance practices and procedure. During the six months ended 30 September 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules except for code provisions A.2.1 and A.4.1.

Other Information

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 roles during the reporting period up to 31 August 2009, the reasons were set out in the Corporate Governance Report contained in the Company's Annual Report for the year of 2008/2009. For the purpose of good corporate governance practice, the Company separated the roles of chairman and chief executive officer with effect from 1 September 2009. After separating the roles of chairman and chief executive officer, and becoming non-executive chairman on 6 October 2009, Mr. Cheng Chung Hing now focuses on the business strategy and direction of the Company, and continues to lead the Board in his new position while the newly appointed chief executive officer has taken up the responsibilities of day-to-day management of the Company's businesses and operations. The separation of roles and division of responsibilities between the chairman and the chief executive officer are now clearly established.

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 (the "Bye-Laws"), 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 23 July 2009, Ms. Yan Sau Man, Amy and Mr. Lee Kang Bor, Thomas both retired from their office and were re-elected as Directors.

As such, the Company believes that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

On 1 September 2009, Mr. Lee Kang Bor, Thomas was redesignated as an executive Director and appointed as chief executive officer and Mr. Fung Yat Sang was appointed as an independent non-executive Director and the chairman of the audit committee of the Company. As at 30 September 2009, the Board consists of a total of seven Directors, comprising four executive Directors and three independent non-executive Directors.

AUDIT COMMITTEE

The audit committee of the Company, which comprises three independent non-executive Directors, namely Mr. Fung Yat Sang, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex, has reviewed the unaudited interim results of the Group for the six months ended 30 September 2009 and has recommended their adoption by the Board.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company confirms that, having made specific enquiry of all Directors, all of the Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2009.

Other Information

FUTURE ARRANGEMENT IN RELATION TO THE SIMULTANEOUS DISSEMINATION OF FINANCIAL RESULTS OF THE COMPANY AND MAN SANG INTERNATIONAL (B.V.I.) LIMITED IN HONG KONG

Previously, Man Sang Holdings, Inc. (“MSHI”), the former holding company of the Company and a United States domestic issuer on NYSE Amex (formerly known as the American Stock Exchange), was required under the respective securities rules and regulations in the United States to report its financial results quarterly. In order to allow simultaneous dissemination of financial information of the Company in both NYSE Amex and Hong Kong, the quarterly results of the Company were also announced and published to the public at the same time. On 25 August 2009, shareholders of MSHI at a general meeting resolved that MSHI will be re-domiciled from the United States to the British Virgin Islands and as a result of which Man Sang International (B.V.I.) Limited (“MSBVI”) has become the successor of MSHI and a non United States domestic issuer on NYSE Amex. Under the relevant rules and regulations in the United States, MSBVI will not be required to publish its results quarterly. In view of such, going forward, the Company will only publish the interim results and annual results of the Company in compliance with the requirements of Listing Rules in Hong Kong.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors subsequent to the date of the 2008/09 Annual Report are set out below:

| Name of Director | Details of Changes/Updated Information |
|--------------------------|--|
| Mr. Cheng Chung Hing | Redesignated as non-executive Director; Being the co-chairman and executive director of China South City Holdings Limited, a company listed on the Stock Exchange (Stock Code: 1668). |
| Mr. Lee Kang Bor, Thomas | Redesignated as executive Director and appointed as chief executive officer, resigned as the chairman of the audit committee and a member of the remuneration committee of the Company; Entitled to receive remuneration of HK\$3,000,000 per annum (covered by service contract), which was determined by the Board with reference to the director’s professional background, management experience, contribution and leadership in the past, duties and responsibilities in future and the prevailing market conditions and eligible to receive discretionary year-end bonus. |

Save for information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

On behalf of the Board
Man Sang International Limited
CHENG CHUNG HING
Chairman

Hong Kong, 16 December 2009