Man Sang International Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 0938

Interim Report 2010

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 segments. One segment is in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the "Pearls and Jewelry business"). The other is in property development and investment (the "Property Development and Investment 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 Group is one of the world's largest merchants, purchasers and processors of pearls. Processing, manufacturing and assembling of pearls and jewelry products are conducted at the Group's self-owned facilities in the Man Sang Industrial City in Shenzhen, the People's Republic of China (the "PRC"). There are 27 blocks of buildings with total gross floor area of approximately 76,000 square meters in the Man Sang Industrial City.

With its rich experience in pearl business gained over the years, the Group in 2006 joined with six major pearls and jewelry companies in the PRC to develop a large-scale international pearl and jewelry trading platform, the China Pearls and Jewelry City ("CP&J City") in Zhuji of Zhejiang, the PRC. CP&J City is designed to be the world's largest pearl and jewelry trading platform providing facilities for processing, manufacturing, research and development, and trading of pearl and jewelry products, as well as related supporting services including logistics, electronic commerce, exhibition and convention, accommodation, catering and entertainment.

Contents

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

PricewaterhouseCoopers

LEGAL ADVISERS

As to Hong Kong law
Baker & McKenzie

As to Bermuda law
Conyers Dill & Pearman

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

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

COMPANY WEBSITE

www.man-sang.com

Condensed Consolidated Income Statement

For the six months ended 30 September 2010

		Six months ended 30 September	
	Note	**2010** **HK$'000** **(Unaudited)**	2009 HK$'000 (Unaudited) (Restated)
Revenue	4	**225,800**	148,602
Cost of sales		**(160,156)**	(94,903)
Gross profit		**65,644**	53,699
Other income		**1,267**	374
Other gains, net		**9,770**	6,280
Selling expenses		**(7,771)**	(6,850)
Administrative expenses		**(47,891)**	(37,736)
Increase in fair values of investment properties and investment properties under construction		**1,592**	—
Operating profit		**22,611**	15,767
Finance income		**2,112**	876
Finance costs		**(1,127)**	(255)
Finance income, net		**985**	621
Share of profit of an associate		**8**	49
Profit before income tax	6	**23,604**	16,437
Income tax expense	7	**(8,272)**	(2,037)
Profit for the period		**15,332**	14,400
Attributable to:			
Equity holders of the Company		**15,098**	19,967
Non-controlling interests		**234**	(5,567)
		15,332	14,400
Earnings per share attributable to equity holders of the Company	9		
— Basic		**HK1.23 cents**	HK1.63 cents
— Diluted		**HK1.21 cents**	HK1.61 cents

The notes on pages 10 to 23 form an integral part of these condensed consolidated interim financial statements.

		HK$'000	HK$'000
Dividends	8	**—**	36,742

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**15,332**	14,400
Other comprehensive income/(loss):		
Exchange difference on translation of foreign operations	**11,978**	(48)
Increase in fair value of leasehold land and buildings, net of deferred income tax	**4,637**	9,972
Other comprehensive income for the period, net of tax	**16,615**	9,924
Total comprehensive income for the period	**31,947**	24,324
Attributable to:		
Equity holders of the Company	**27,821**	29,885
Non-controlling interests	**4,126**	(5,561)
	31,947	24,324

The notes on pages 10 to 23 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Balance Sheet

30 September 2010

	Note	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	10	**822,244**	762,865
Investment properties under construction	10	**64,294**	133,679
Property, plant and equipment	10	**112,847**	110,612
Prepaid lease payments		**8,918**	8,630
Investment in an associate		**110**	100
Deferred income tax assets		**1,329**	1,289
		1,009,742	1,017,175
Current assets			
Inventories		**60,569**	51,646
Properties under development	11	**16,201**	69,431
Completed properties held for sale		**214,207**	202,073
Trade and other receivables	12	**142,409**	161,506
Financial assets at fair value through profit or loss		**43,411**	49,194
Current income tax recoverable		**4,517**	5,401
Pledged bank deposits		**—**	17,000
Cash and cash equivalents		**534,272**	501,541
		1,015,586	1,057,792
Current liabilities			
Trade and other payables	13	**461,635**	488,775
Current income tax liabilities		**89,284**	74,253
Bank borrowings	14	**46,000**	158,197
Amount due to an associate		**1,557**	1,530
		598,476	722,755
Net current assets		**417,110**	335,037
Total assets less current liabilities		**1,426,852**	1,352,212

Condensed Consolidated Balance Sheet (Continued)

30 September 2010

	Note	30 September 2010 HK$'000 (Unaudited)	31 March 2010 HK$'000 (Restated)
Non-current liabilities			
Deferred income tax liabilities		**79,207**	85,306
Bank borrowings	14	**69,000**	22,600
		148,207	107,906
Net assets		**1,278,645**	1,244,306
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	**122,709**	122,494
Reserves		**1,041,381**	1,011,387
		1,164,090	1,133,881
Non-controlling interests		**114,555**	110,425
Total equity		**1,278,645**	1,244,306

The notes on pages 10 to 23 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Share option reserve	Property revaluation reserve	Translation reserve	Retained profits *(note a)*	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2009	122,474	321,509	3,946	66,483	36,996	562,320	1,113,728	148,693	1,262,421
Effect of adoption of HKAS 17 (Amendment) *(Note 3)*	—	—	—	14,551	—	1,015	15,566	—	15,566
Balance at 1 April 2009 (restated)	122,474	321,509	3,946	81,034	36,996	563,335	1,129,294	148,693	1,277,987
Profit/(loss) for the period	—	—	—	—	—	19,967	19,967	(5,567)	14,400
Other comprehensive income/ (loss):									
Increase in fair value of leasehold land and buildings, net of deferred income tax	—	—	—	9,972	—	—	9,972	—	9,972
Exchange difference on translation of foreign operations	—	—	—	—	(54)	—	(54)	6	(48)
Total comprehensive income/ (loss) for the period	—	—	—	9,972	(54)	19,967	29,885	(5,561)	24,324
Employee share option benefits	—	—	3,978	—	—	—	3,978	—	3,978
Release of property revaluation reserve upon depreciation of leasehold buildings	—	—	—	(219)	—	219	—	—	—
Transferred to retained profits upon disposals of completed properties held for sale, net of deferred income tax	—	—	—	(794)	—	794	—	—	—
Balance at 30 September 2009	122,474	321,509	7,924	89,993	36,942	584,315	1,163,157	143,132	1,306,289

Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 September 2010

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Share option reserve	Property revaluation reserve	Translation reserve	Retained profits *(note a)*	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2010	122,494	321,606	9,223	65,171	36,865	545,106	1,100,465	110,425	1,210,890
Effect of adoption of HKAS 17 (Amendment) *(Note 3)*	—	—	—	32,281	—	1,135	33,416	—	33,416
Balance at 1 April 2010 (restated)	122,494	321,606	9,223	97,452	36,865	546,241	1,133,881	110,425	1,244,306
Profit for the period	—	—	—	—	—	15,098	15,098	234	15,332
Other comprehensive income:									
Increase in fair value of leasehold land and buildings, net of deferred income tax	—	—	—	4,637	—	—	4,637	—	4,637
Exchange difference on translation of foreign operations	—	—	—	—	8,086	—	8,086	3,892	11,978
Total comprehensive income for the period	—	—	—	4,637	8,086	15,098	27,821	4,126	31,947
Issue of shares by its subsidiary	—	—	—	—	—	—	—	4	4
Issue of new shares upon exercise of share options	215	639	—	—	—	—	854	—	854
Transfer to share premium upon exercise of share options	—	414	(414)	—	—	—	—	—	—
Transfer to retained earnings upon lapse of share options	—	—	(145)	—	—	145	—	—	—
Employee share option benefits	—	—	1,534	—	—	—	1,534	—	1,534
Release of property revaluation reserve upon depreciation of leasehold buildings	—	—	—	(550)	—	550	—	—	—
Transferred to retained profits upon disposals of completed properties held for sale, net of deferred income tax	—	—	—	(1,576)	—	1,576	—	—	—
Balance at 30 September 2010	122,709	322,659	10,198	99,963	44,951	563,610	1,164,090	114,555	1,278,645

Note a: The Group's retained profits as at 30 September 2010 included an amount of HK$12,707,000 (31 March 2010: HK$12,551,000) reserved by the subsidiaries in the People's Republic of China ("PRC") in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. A PRC company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the Company, to expand the Company's production operations, or to increase the capital of the Company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

The notes on pages 10 to 23 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**50,410**	31,985
Net cash generated from investing activities	**48,995**	49,952
Net cash (used in)/generated from financing activities	**(68,141)**	14,266
Net increase in cash and cash equivalents	**31,264**	96,203
Cash and cash equivalents at beginning of the period	**501,541**	462,766
Effect of foreign exchange rate changes	**1,467**	—
Cash and cash equivalents at end of the period	**534,272**	558,969
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**198,319**	281,227
Time deposits	**335,953**	277,742
	534,272	558,969

The notes on pages 10 to 23 form an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

1. GENERAL INFORMATION

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

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

On 28 July 2010, China Metro-Rural Holdings Limited ("CNR"), the then immediate holding company of the Company, announced a dividend to CNR's shareholders by way of distribution in specie of the shares of the Company held by CNR. The distribution has been completed during the six months ended 30 September 2010 and CNR is no longer the Company's holding company.

These condensed consolidated interim financial statements are presented in Hong Kong dollars, unless otherwise stated. These condensed consolidated interim financial statements were approved for issue on 28 October 2010.

These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 September 2010 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Revised and amended standards adopted by the Group

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

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

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

  As the Group has applied HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'Consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

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

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

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Condensed consolidated income statement		
Increase in administrative expenses	**780**	239
Decrease in income tax expense	**129**	40

	30 September	31 March
	2010	2010
	HK$'000	HK$'000
Condensed consolidated balance sheet		
Increase in property, plant and equipment	**70,874**	66,850
Decrease in prepaid lease payments	**26,478**	26,831
Increase in property revaluation reserve	**36,128**	32,281
Increase in deferred income tax liabilities	**7,326**	6,603
Increase in retained profits	**942**	1,135

The adoption of this amendment also resulted in an increase in opening retained profits at 1 April 2009 by HK$1,015,000.

(b) Standards, amendments and interpretation to existing standards effective for the financial year beginning 1 April 2010 but not relevant to the Group:

- HK(IFRIC) — Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.

- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.

- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) (Continued)

- Under 'Classification of rights issues' (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010.

- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements except for HKAS 17 (Amendment) are not relevant to the Group.

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

- HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact. The Group has not yet decided when to adopt HKFRS 9.

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

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

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) (Continued)

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

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

4. REVENUE

Revenue represents (i) the amounts received and receivable from customers in respect of goods sold, less returns and allowances; (ii) the proceeds from the sale of properties; and (iii) the amounts received and receivable in respect of leasing of investment properties.

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Sales of pearls and jewelry	**144,833**	116,155
Sales of properties	**65,175**	20,060
Rental income	**15,792**	12,387
	225,800	148,602

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

5. SEGMENT INFORMATION

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

The Group has two reportable 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 segments represents strategic business units that are subject to risks and returns that are different from the other reportable segment. Details of the reportable segments are as follows:

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

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

Six months ended 30 September 2010	**Pearls and jewelry HK$'000**	**Property development and investment HK$'000**	**Total HK$'000**
Total segment revenue	**144,833**	**81,472**	**226,305**
Inter-segment revenue	**—**	**(505)**	**(505)**
Revenue from external customers	**144,833**	**80,967**	**225,800**
Segment profit	**13,026**	**9,120**	**22,146**

Six months ended 30 September 2009	Pearls and jewelry HK$'000	Property development and investment HK$'000	Total HK$'000
Total segment revenue	116,155	32,845	149,000
Inter-segment revenue	—	(398)	(398)
Revenue from external customers	116,155	32,447	148,602
Segment profit	11,668	4,536	16,204

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

5. SEGMENT INFORMATION (Continued)

A reconciliation of the reportable segments' profit to the Group's profit before income tax is provided as follows:

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Total reportable segments' profit	**22,146**	16,204
Fair value change in financial assets at fair value through profit or loss	**2,766**	5,199
Dividend income	**1,267**	374
Employee share options benefit	**(1,534)**	(3,978)
Corporate expenses, net	**(1,041)**	(1,362)
Profit before income tax	**23,604**	16,437

As at 30 September 2010	**Pearls and jewelry HK$'000**	**Property development and investment HK$'000**	**Total HK$'000**
Total assets for reportable segments	**574,599**	**1,381,754**	**1,956,353**
Corporate assets			**25,564**
Financial assets at fair value through profit or loss			**43,411**
Total assets			**2,025,328**

As at 31 March 2010 (Restated)	Pearls and jewelry HK$'000	Property development and investment HK$'000	Total HK$'000
Total assets for reportable segments	533,734	1,452,932	1,986,666
Corporate assets			39,107
Financial assets at fair value through profit or loss			49,194
Total assets			2,074,967

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
The following items have been charged/(credited) to profit before income tax during the period:		
Finance costs:		
Interest on bank borrowings	**4,810**	5,868
Less: Amount capitalised	**(3,683)**	(5,613)
	1,127	255
Fair value change in financial assets at fair value through profit or loss	**(2,766)**	(5,199)
Gain on disposals of investment properties	**(6,245)**	—
Staff costs, including directors emoluments	**36,921**	32,046
Reversal of write-down for inventory obsolescence	**(4,000)**	(2,370)
Provision for/(Recovery of) impairment of trade and other receivables	**4,738**	(5,625)
Amortisation of prepaid lease payments	**1,200**	4
Depreciation of property, plant and equipment	**4,902**	4,373

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Current income tax:		
Hong Kong profits tax	**1,483**	1,617
PRC enterprise income tax	**8,673**	3,943
Land appreciation tax	**6,029**	215
	16,185	5,775
Deferred income tax:		
Credit to current period	**(7,913)**	(3,738)
	8,272	2,037

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

7. INCOME TAX EXPENSE (Continued)

Hong Kong profits tax has been provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the six months ended 30 September 2010.

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

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

8. DIVIDENDS

	Six months ended 30 September	
	2010	2009
	HK$'000	HK$'000
Interim dividend declared — Nil (2009: HK3.00 cents per ordinary share)	—	36,742

The directors do not recommend the payment of an interim dividend (2009: HK3.00 cents). The 2009 interim dividend, amounting to HK$36,742,000 has not been recognised as a liability in the condensed consolidated financial statements as at 30 September 2009.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 September 2010 is based on the profit attributable to equity holders of the Company for the period of HK$15,098,000 (2009: HK$19,967,000) and on the weighted average number of 1,226,186,000 (2009: 1,224,740,000) shares in issue during the period.

Diluted earnings per share for six months ended 30 September 2010 is calculated based on the profit for the period of HK$15,098,000 (2009: HK$19,967,000) and on the adjusted weighted average number of 1,252,196,000 shares (2009: 1,238,810,000 shares) which represented the weighted average number of 1,226,195,000 shares (2009: 1,224,740,000 shares) in issue during the period and the weighted average number of 26,001,000 shares (2009: 14,070,000 shares) deemed to have been issued at no consideration, assuming the exercise of the share options.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

10. CAPITAL EXPENDITURE

Six months ended 30 September 2010	**Investment properties HK$'000**	**Investment properties under construction HK$'000**	**Property, plant and equipment HK$'000**
Net book amount at 1 April 2010	**762,865**	**133,679**	**43,762**
Effect of adoption of HKAS 17 (Amendment)	**—**	**—**	**66,850**
Net book amount at 1 April 2010 (restated)	**762,865**	**133,679**	**110,612**
Additions	**4,341**	**14,431**	**1,068**
Interest capitalised	**—**	**3,224**	**—**
Depreciation	**—**	**—**	**(4,902)**
Disposals	**(33,563)**	**—**	**—**
Increase in fair value	**1,592**	**—**	**5,581**
Transfer to properties under development	**—**	**(14,096)**	**—**
Transfer from investment properties under construction to investment properties	**75,310**	**(75,310)**	**—**
Exchange differences	**11,699**	**2,366**	**488**
Net book amount at 30 September 2010	**822,244**	**64,294**	**112,847**

Six months ended 30 September 2009	Investment properties HK$'000	Investment properties under construction HK$'000	Property, plant and equipment HK$'000
Net book amount at 1 April 2009	845,384	201,328	40,158
Effect of adoption of HKAS 17 (Amendment)	—	—	46,180
Net book amount at 1 April 2009 (restated)	845,384	201,328	86,338
Additions	—	13,661	1,971
Interest capitalised	—	4,227	—
Depreciation	—	—	(4,373)
Increase in fair value			11,942
Transfer to properties under development	—	(29,970)	—
Exchange differences	6	—	—
Net book amount at 30 September 2009	845,390	189,246	95,878

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

11. PROPERTIES UNDER DEVELOPMENT

	Six month ended 30 September	
	2010	2009
	HK$'000	HK$'000
At beginning of the period	**69,431**	—
Additions	**4,358**	22,997
Interest capitalised	**459**	1,386
Transferred from investment properties under construction	**14,096**	29,970
Transferred to completed properties held for sale	**(73,372)**	—
Exchange differences	**1,229**	—
At end of the period	**16,201**	54,353

12. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables of the Group are trade receivables of HK$55,888,000 (31 March 2010: HK$62,289,000) and their ageing analysis is as follows:

	30 September 2010	31 March 2010
	HK$'000	HK$'000
Not past due	**19,086**	15,585
1 to 60 days past due	**27,144**	34,590
61 to 120 days past due	**4,723**	2,700
More than 120 days past due	**4,935**	9,414
	55,888	62,289

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

13. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$109,107,000 (31 March 2010: HK$111,164,000) and their ageing analysis is as follows:

	30 September 2010 HK$'000	31 March 2010 HK$'000
0 to 60 days past due	**100,525**	103,923
61 to 120 days past due	**556**	5,748
More than 120 days past due	**8,026**	1,493
	109,107	111,164

14. BANK BORROWINGS

	30 September 2010 HK$'000	31 March 2010 HK$'000
Secured bank loans	**115,000**	180,797
The maturity of the above borrowings is as follows:		
Within 1 year	**46,000**	158,197
Over 2 years but not exceeding 5 years	**69,000**	22,600
	115,000	180,797
Less: Amount due within 1 year shown under current liabilities	**(46,000)**	(158,197)
Amount due after 1 year	**69,000**	22,600

The carrying amounts of bank borrowings approximate their fair values. All bank borrowings are denominated in Renminbi and carried at interest rate of ranging from 5.3% to 5.8% (31 March 2010: 4.8% to 6.1%) per annum.

As at 30 September 2010, certain investment properties and completed properties held for sale located in the PRC with an aggregate carrying amount of HK$160,352,000 (31 March 2010: HK$306,984,000) were pledged as security for the Group's bank borrowings.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

15. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Shares of HK$0.10 each	5,000,000	500,000
Issued and fully paid:		
At 1 April 2010	1,224,940	122,494
Issue of new shares upon exercise of share options	2,150	215
At 30 September 2010	1,227,090	122,709

16. RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Six months ended 30 September	
	2010 HK$'000	2009 HK$'000
Salaries, wages and other benefits	**8,333**	7,657
Pension costs-defined contribution plans and social security costs	**24**	24
Share options benefit	**1,341**	1,618
	9,698	9,299

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

Related party relationship	Nature of Transaction	Six months ended 30 September	
		2010 HK$'000	2009 HK$'000
An entity which is significantly influenced by a key management personnel of the Company	Reimbursement of rental charges paid on behalf	**942**	939

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

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2010

17. CAPITAL COMMITMENT

	30 September 2010 HK$'000	31 March 2010 HK$'000
Capital expenditure in relation to construction of properties and land acquisition contracted for but not provided for in the financial statements.	**29,165**	32,110

18. CONTINGENT LIABILITIES

During the six months ended 30 September 2010, the Company issued corporate guarantees to banks in respect of general banking facilities granted to its subsidiaries. No banking facilities with corporate guarantee have been utilised by subsidiaries during the six months ended 30 September 2010 (31 March 2010: Nil).

The Group entered into a mortgage collaboration agreement with a bank in Mainland China under which the Group agreed to indemnify the bank for any failure by purchasers of the Group's properties in China Pearls and Jewellery City to repay the borrowings and/or interest to the bank for the period before and up to the bank registering the certificates of real estate ownership as collateral for the borrowings. As at 30 September 2010, the Group has maximum exposure on the guarantees of HK$83,000,000 (31 March 2010: HK$51,000,000). The directors are of the view that the fair value of such guarantee is not significant.

Save as disclosed above, the Group had no other significant contingent liabilities as at 30 September 2010 (31 March 2010: Nil).

19. COMPARATIVE AMOUNTS

In addition to the effect of adoption of HKAS 17 (Amendment) as disclosed in Note 3, certain comparative figures have been re-classified within the consolidated income statement to conform to the current period's presentation. Such reclassification has no impact on the Group's profit for the period.

Management Discussion and Analysis

DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: HK3.00 cents).

BUSINESS REVIEW

Pearls and Jewelry Operations

The US economy had not seen much improvement in the second and third quarters of 2010. The US Federal Reserve expressed concern that the feeble pace of market recovery will not be enough to give the US economy and the employment the jump-start it needed, and hinted that another round of quantitative easing, pumping more liquidity into the market, would be around the corner.

The difficulties faced by the weaker European economies, including Ireland, Greece, Portugal and Eastern European nations, take extra time to solve and cast doubt on Europe's ability to get back to good economic health in a short time.

The business environment for the core markets of our Pearls and Jewelry Operations was still difficult during the period. We continued to closely monitor the business and the credit assessment of our major accounts to minimize credit risk and the development of the world consumer market for luxurious goods to strive for business growth.

Property Development and Investment Operations

The strong tightening measures to stabilize home prices initiated by the Chinese Government in early 2010 continue during the period under review. To improve property sales in the China Pearls and Jewellery City, sales and marketing initiatives were adopted and have borne fruit.

However, the continuing tightening of bank lendings to home purchasers, the restrictions imposed by authorities of several cities in China on the purchase of residential properties, the recent increase in bank lending interest rates and the possibility of bringing in property tax legislation, have dampened demand for properties, and will affect the results of operation of China Pearls and Jewellery City.

Management Discussion and Analysis

FINANCIAL REVIEW

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

Revenue and gross profit

Pearls and Jewelry Segment

Net sales attributable to the Pearls and Jewelry Segment increased by HK$28.6 million, or 24.7% from HK$116.2 million for the six months ended 30 September 2009 to HK$144.8 million for the six months ended 30 September 2010. The increase was primarily due to the need to replenish inventory by our customers who conducted an excessively conservative and strict purchasing strategy during the period of global financial crisis.

Gross profit increased by HK$11.5 million, or 25.1% from HK$45.4 million for the six months ended 30 September 2009 to HK$56.9 million for the six months ended 30 September 2010, due to an increase of net sales by 24.7%. The gross profit margin increased by 0.2% from 39.1% for the six months ended 30 September 2009 to 39.3% for the six months ended 30 September 2010. There was pressure on the increasing cost of processing and production of pearls and jewelry products in the PRC, resulting from the gradual appreciation of the Renminbi against Hong Kong dollars, the adoption of an effective flexible purchasing strategy to source materials helped control the overall cost of manufactured products and slightly alleviate the pressure of the increasing cost of production.

Property Development and Investment Segment

Revenue for the six months ended 30 September 2010 from Property Development and Investment Segment comprised net sales of properties of HK$65.2 million (2009: HK$20.1 million) and rental income of HK$15.8 million (2009: HK$12.4 million).

Net sales of properties increased by HK$45.1 million, or 224.9% from HK$20.1 million for the six months 30 September 2009 to HK$65.2 million for the six months ended 30 September 2010. During the period under review, the sale of completed apartments located in China Pearls and Jewellery City has been launched. The increase in net sales of properties was primarily due to an increase in recognized revenue of HK$48.8 million for the sale of these completed apartments.

Rental income increased by HK$3.4 million, or 27.5% from HK$12.4 million for the six months ended 30 September 2009 to HK$15.8 million for the six months ended 30 September 2010. The increase in rental income was primarily due to an increase in properties leased to unrelated parties in China Pearls and Jewellery City and Man Sang Industrial City during the period under review.

Management Discussion and Analysis

Gross profit attributable to Property Development and Investment Segment increased by HK$0.5 million, or 6.3% from HK$8.3 million for the six months ended 30 September 2009 to HK$8.8 million for the six months ended 30 September 2010. The gross profit margin decreased by 14.7% from 25.5% for the six months ended 30 September 2009 to 10.8% for the six months ended 30 September 2010. The decrease was primarily due to the Group's promotional sales arrangement commenced in September 2009 selling properties at discount rates to purchasers. Revenue of HK$5.5 million was recognised during the period, which comprises the consideration received plus value of rental rights. This arrangement resulted in a gross loss of HK$11.8 million during the period.

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

S&A expenses of HK$55.7 million (2009: HK$44.6 million) consist of selling expenses of HK$7.8 million (2009: HK$6.9 million) and administrative expenses of HK$47.9 million (2009: HK$37.7 million).

S&A expenses increased by HK$11.1 million, or 24.8% from HK$44.6 million for the six months ended 30 September 2009 to HK$55.7 million for the six months ended 30 September 2010. The increase was mainly due to the impairment loss on trade and other receivables of HK$4.7 million recognized for the period under review, whereas a recovery of impairment of certain trade and other receivables of HK$5.6 million was recorded during the six months ended 30 September 2009, a result of such receivables being collected.

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

With reference to the valuation reports prepared by independent professional property valuers, an increase of HK$1.6 million in fair value of investment properties and investment properties under construction was recognized in the income statement. The increase in fair value was primarily due to an increase in fair value of the investment properties located in Hong Kong.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company decreased by HK$4.9 million, or 24.4% from HK$20.0 million for the six months ended 30 September 2009 to HK$15.1 million for the six months ended 30 September 2010.

Liquidity and capital resources

As at 30 September 2010, the Group's total equity, including non-controlling interests, was HK$1,278.6 million (31 March 2010: HK$1,244.3 million). The increase in total equity was primarily due to profits of HK$15.3 million retained for the period under review and an unrealised exchange gain of HK$12.0 million arising from the translation of foreign operation of the PRC subsidiaries.

As at 30 September 2010, the working capital, representing net current assets, was HK$417.1 million (31 March 2010: HK$335.0 million). The increase in working capital was primarily due to a decrease of HK$112.2 million in bank borrowing due within one year as a result of the repayment of the bank borrowing in accordance with the stipulated terms of the loan agreement. The current ratio, representing current assets divided by current liabilities, was 1.7 (31 March 2010: 1.5).

Management Discussion and Analysis

As at 30 September 2010, the Group's total bank borrowing was HK$115.0 million (31 March 2010: HK$180.8 million), which was obtained to finance the property development in China Pearls and Jewellery City. The Group does not currently use any derivatives to manage interest risk. Gearing ratio, representing total bank borrowing divided by total equity, was 0.09 (31 March 2010: 0.15).

As at 30 September 2010, the Group had available banking facilities of HK$247.2 million (31 March 2010: HK$330.8 million) with various banks, of which HK$115.0 million (31 March 2010: HK$180.8 million) has been drawn and HK$132.2 million (31 March 2010: HK$150.0 million) remained unused. With the committed unused banking facilities in place and available cash and equivalents of HK$534.3 million (31 March 2010: HK$501.5 million), the Group has adequate financial resources to meet our anticipated future liquidity requirements.

Treasury policy

The Group principally operates in Hong Kong and Mainland China. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollars, Hong Kong dollars and Renminbi, in which the Group's transactions were mainly denominated during the six months ended 30 September 2009 and 2010. Since Hong Kong dollars remains pegged to the United States dollars within a defined range, the Group has not been exposed to any significant foreign exchange risk against the United States dollars. The Group has subsidiaries operating in Mainland China, in which most of their transactions, including revenue, expenses and financing, are denominated in Renminbi. The Group has not been exposed to any significant foreign exchange transaction risk and had not entered into any foreign exchange contract as hedging measures.

Human resources

As at 30 September 2010, the Group had a total workforce of 957 (2009: 858), of whom 69 (2009: 77) were based in Hong Kong. The total staff cost, including directors' emoluments, share options benefit and mandatory provident fund, was approximately HK$36.9 million (2009: HK$32.0 million). Employees were remunerated on the basis of their performance and experience. Remuneration package, including salary and year-end discretionary bonus, was determined by reference to market conditions and individual performance.

PROSPECTS

In US and Europe, where the core accounts of our Pearls and Jewelry operations are located, the after-effects of global economic crisis still dominate. In China, the Central Government continues to control home prices, so as to narrow the widening wealth gap and improve the livelihood of its masses. We expect the business environment for both our pearls and property operations will remain challenging.

Looking forward, we will continue to exercise tight cost control and strict financial disciplines, in order to maintain adequate liquidity to capture any early signs of business and economic recovery when the market improves.

Other Information

SHARE OPTIONS

Details of the share options granted to directors of the Company (the "Director(s)") and eligible employees of the Group under the share option scheme adopted by the Company on 2 August 2002 (the "2002 Share Options Scheme") as at 30 September 2010 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 1 April 2010	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30 September 2010	Notes
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)
					30,000,000	—	—	—	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	20,050,000	—	(2,150,000)	(750,000)	17,150,000	(1), (2)
					47,050,000	—	(2,150,000)	(750,000)	44,150,000	
					77,050,000	—	(2,150,000)	(750,000)	74,150,000	

Other Information

Notes:

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

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

(3) 2,500,000 options were vested on the date of grant, 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 is 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.

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2010, the interests and short positions of the Directors 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 provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the 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 Direct interest	 Deemed interest	Total interest	Percentage of the issued share capital of the Company
Mr. Cheng Chung Hing	Beneficial owner and interest of a controlled corporation	235,687,273	469,418,898 *(Note 7)*	705,106,171	57.46%
Mr. Cheng Tai Po	Beneficial owner and interest of a controlled corporation	104,086,180	468,781,655 *(Note 8)*	572,867,835	46.69%

Note 7: Among these 469,418,898 shares of the Company, 468,781,655 shares were directly owned by Rich Men Limited, a company incorporated in the British Virgin Islands, Mr. Cheng Chung Hing and Mr. Cheng Tai Po own 60% and 40% of the issued share capital of Rich Men Limited respectively; 637,243 shares were directly owned by China Metro-Rural Holdings Limited, a company incorporated in the British Virgin Islands and listed on the NYSE Amex, which is indirectly controlled by Mr. Cheng Chung Hing.

Note 8: These 468,781,655 shares of the Company were directly owned by Rich Men Limited, Mr. Cheng Chung Hing and Mr. Cheng Tai Po own 60% and 40% of the issued share capital of Rich Men Limited respectively.

(b) Long positions in underlying shares of the Company

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

Save as disclosed above, none of the Directors had, as at 30 September 2010, 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 provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 September 2010, substantial shareholders' interests or short positions in the shares and underlying shares of the Company as recorded in 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 Direct interest	Deemed interest	Percentage of the issued share capital of the Company
Rich Men Limited	Beneficial Owner	468,781,655	—	38.20%

Save as disclosed above, as at 30 September 2010, the Company has not been notified of any person (other than Directors 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 2010.

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 2010, 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 provision A.4.1.

According to code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Although independent non-executive Directors of the Company are not appointed for a specific term, pursuant to the CG Code and the bye-laws of the Company (the "Bye-laws"), any director appointed to fill a casual vacancy shall hold office until the next following general meeting of the Company and is therefore subject to re-election by the shareholders at that 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 August 2010, Mr. Fung Yat Sang, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex retired from their office and were re-elected as Directors.

Other Information

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.

As at 30 September 2010, the Board consists of a total of seven Directors, comprising three executive Directors, one non-executive Director 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 2010 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 2010.

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 2009/10 Annual Report are set out below:

With effect from 1 April 2010, annual director's fee of each of the following independent non-executive Directors was changed as follows:

Mr. Fung Yat Sang	Increased from HK$170,000 to HK$220,000
Mr. Kiu Wai Ming	Increased from HK$170,000 to HK$220,000
Mr. Lau Chi Wah, Alex	Increased from HK$150,000 to HK$200,000

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

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

Hong Kong, 28 October 2010