Interim report

2011

Man Sang International Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 938

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 jewellery products (the "Pearls and Jewellery Segment"). The other is in property development and investment (the "Property Development and Investment Segment").

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 938.

The Group is one of the world's largest merchants, purchasers and processors of pearls, processing, manufacturing and assembling of pearls and jewellery 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 jewellery companies in the PRC to develop a large-scale international pearl and jewellery trading platform, the China Pearls and Jewellery City ("CP&J City") in Zhuji of Zhejiang, the PRC. CP&J City is designed to be the world's largest pearl and jewellery trading platform providing facilities for processing, manufacturing, research and development, and trading of pearl and jewellery products, as well as related supporting services including logistics, electronic commerce, exhibition and convention, accommodation, catering and entertainment.

The Group considers that the demand for the micro credit business is significant and the business provides steady income stream to the Company. As such, the Group is exploring the opportunity to establish the micro credit business. On 20 September 2011, Mr. Zhang Huaqiao was appointed as an executive director and chief executive officer of the Company. The Group believes that the experience and networks of Mr. Zhang in financial industry which in turn will help the Group in developing the micro credit business at a faster pace. The Group's product aims to serve as a vehicle for collaboration between the rural areas and the private small-scale capital markets to improve local financial services, standardise financing channels, promote economic growth as well as bring immense opportunities to private enterprises. The Group expects the new business to become a new growth driver and generate high returns for shareholders.

Contents

Corporate Information

BOARD OF DIRECTORS

Non-Executive Directors
Mr. Cheng Chung Hing *(Chairman)*
Mr. Lee Kang Bor, Thomas

Executive Directors
Mr. Cheng Tai Po *(Deputy Chairman)*
Mr. Zhang Huaqiao *(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

AUDITOR

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: 938)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 2208, 22nd Floor
Sun Life Tower, The Gateway
15 Canton Road, Tsimshatsui
Kowloon
Hong Kong

COMPANY WEBSITE

www.man-sang.com

Condensed Consolidated Income Statement

	Note	Six months ended 30 September 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
Revenue	4	**198,442**	225,800
Cost of sales		**(117,413)**	(160,156)
Gross profit		**81,029**	65,644
Other income		**3,214**	1,267
Other gains, net		**986**	9,770
Selling expenses		**(7,853)**	(7,771)
Administrative expenses		**(37,815)**	(47,891)
Increase in fair values of investment properties and investment properties under construction		**4,306**	1,592
Operating profit		**43,867**	22,611
Finance income		**5,618**	2,112
Finance costs		**(87)**	(1,127)
Finance income, net		**5,531**	985
Share of (loss)/profit of an associate		**(1)**	8
Profit before income tax	6	**49,397**	23,604
Income tax expense	7	**(20,677)**	(8,272)
Profit for the period		**28,720**	15,332
Attributable to:			
Equity holders of the Company		**17,002**	15,098
Non-controlling interests		**11,718**	234
		28,720	15,332
Earnings per share attributable to equity holders of the Company	9		
— Basic		**HK1.38 cents**	HK1.23 cents
— Diluted		**HK1.36 cents**	HK1.21 cents

The notes on pages 10 to 22 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period	**28,720**	15,332
Other comprehensive income:		
Exchange difference on translation of foreign operations	**24,560**	11,978
Increase in fair value of leasehold land and buildings, net of deferred income tax	**5,441**	4,637
Other comprehensive income for the period, net of tax	**30,001**	16,615
Total comprehensive income for the period	**58,721**	31,947
Attributable to:		
Equity holders of the Company	**38,525**	27,821
Non-controlling interests	**20,196**	4,126
	58,721	31,947

The notes on pages 10 to 22 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Balance Sheet

	Note	30 September 2011 HK$'000 (Unaudited)	31 March 2011 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	10	**840,154**	847,257
Investment properties under construction	10	**63,960**	61,741
Property, plant and equipment	10	**121,619**	117,736
Prepaid lease payments		**7,057**	8,024
Prepayments		**3,092**	—
Investment in an associate		**124**	121
Deferred income tax assets		**915**	1,126
		1,036,921	1,036,005
Current assets			
Inventories		**75,408**	52,104
Properties under development	11	**87,667**	36,711
Completed properties held for sale		**208,316**	206,743
Trade and other receivables	12	**151,561**	134,835
Financial assets at fair value through profit or loss		**39,946**	30,540
Current income tax recoverable		**3,748**	4,794
Cash and cash equivalents		**680,326**	606,806
		1,246,972	1,072,533
Current liabilities			
Trade and other payables	13	**460,096**	463,042
Current income tax liabilities		**116,971**	103,606
Borrowings	14	**36,900**	23,800
Amount due to an associate		**1,543**	1,492
		615,510	591,940
Net current assets		**631,462**	480,593
Total assets less current liabilities		**1,668,383**	1,516,598

Condensed Consolidated Balance Sheet (Continued)

	Note	30 September 2011 HK$'000 (Unaudited)	31 March 2011 HK$'000 (Audited)
Non-current liabilities			
Deferred income tax liabilities		**90,665**	88,183
Borrowings	14	**147,600**	71,400
		238,265	159,583
Net assets		**1,430,118**	1,357,015
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	**123,539**	122,709
Reserves		**1,154,780**	1,102,703
		1,278,319	1,225,412
Non-controlling interests		**151,799**	131,603
Total equity		**1,430,118**	1,357,015

The notes on pages 10 to 22 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Share option reserve	Property revaluation reserve	Translation reserve	Retained profits *(note)*	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	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 a 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 profits upon lapse of share options	—	—	(145)	—	—	145	—	—	—
Recognition of share based payment	—	—	1,534	—	—	—	1,534	—	1,534
Release of property revaluation reserve upon depreciation of leasehold land and 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

Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital	Share premium	Share option reserve	Property revaluation reserve	Translation reserve	Retained profits (*note*)	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 2011	122,709	322,659	9,427	104,642	59,917	606,058	1,225,412	131,603	1,357,015
Profit for the period	—	—	—	—	—	17,002	17,002	11,718	28,720
Other comprehensive income:									
Increase in fair value of leasehold land and buildings, net of deferred income tax	—	—	—	5,441	—	—	5,441	—	5,441
Exchange difference on translation of foreign operations	—	—	—	—	16,082	—	16,082	8,478	24,560
Total comprehensive income for the period	—	—	—	5,441	16,082	17,002	38,525	20,196	58,721
Issue of new shares upon exercise of share options	830	1,317	—	—	—	—	2,147	—	2,147
Transfer to share premium upon exercise of share options	—	938	(938)	—	—	—	—	—	—
Transfer to retained profits upon lapse of share options	—	—	(1,121)	—	—	1,121	—	—	—
Recognition of share based payment	—	—	12,235	—	—	—	12,235	—	12,235
Release of property revaluation reserve upon depreciation of leasehold land and buildings	—	—	—	(691)	—	691	—	—	—
Transferred to retained profits upon disposals of completed properties held for sale, net of deferred income tax	—	—	—	(700)	—	700	—	—	—
Balance at 30 September 2011	123,539	324,914	19,603	108,692	75,999	625,572	1,278,319	151,799	1,430,118

Note: The Group's retained profits as at 30 September 2011 included an amount of HK$17,585,000 (31 March 2011: HK$17,530,000) 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 holders. All statutory reserves are created for specific purposes. 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 companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further discretional contribution to the surplus reserve using its post-tax profits in accordance with resolutions of the Board of Directors.

The notes on pages 10 to 22 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	**(48,884)**	50,410
Net cash generated from investing activities	**28,384**	48,995
Net cash generated from/(used in) financing activities	**91,447**	(68,141)
Net increase in cash and cash equivalents	**70,947**	31,264
Cash and cash equivalents at beginning of the period	**606,806**	501,541
Effect of foreign exchange rate changes	**2,573**	1,467
Cash and cash equivalents at end of the period	**680,326**	534,272

The notes on pages 10 to 22 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 2011

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 jewellery 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 listing on The Stock Exchange of Hong Kong Limited.

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 29 November 2011.

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 2011 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 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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 2011, as described in those annual financial statements.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group adopted the following revised standards and amendments to standards, which are mandatory for the first time for the accounting periods beginning on 1 April 2011:

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government, which is not relevant to the Group as the Group is not related to the government and its related entities. It also clarifies and simplifies the definition of a related party, which has no material impact on the Group's related party disclosure.

- Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

- HK(IFRIC) — Int 19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of HKFRS 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.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA. All improvements, including amendment to HKAS 34 as mentioned above, are effective in the financial year of 2011.

- 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 this. The amendments are effective for annual periods beginning 1 January 2011. Early application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The HKICPA has issued a number of new and revised standards, interpretations and amendments to standards which are not effective for accounting period beginning on 1 April 2011. The Group has not early adopted these new and revised standards, interpretations and amendments to standards.

- 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 potential impact of this revised standard. The Group will adopt the revised standard as and when it becomes effective.

- An amendment to HKFRS 7 "Financial Instruments: Disclosure" was issued in October 2010 which requires additional disclosures for risk exposures arising from transferred financial assets. The amendment will be effective for annual periods beginning on or after 1 July 2011, with earlier application permitted. No disclosures are required for prior periods. The Group will adopt the amended standard as and when it becomes effective.

- An amendment to HKAS 12 "Income Taxes" was issued in December 2010 whereby deferred taxes on as investment property, carried under the fair value model in HKAS 40, will be measured presuming that an investment property is recovered entirely through sale. The presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012 with earlier application permitted. The Group will adopt the amended standard as and when it becomes effective.

Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2011.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

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	
	2011	2010
	HK$'000	HK$'000
Sales of pearls and jewellery	**154,751**	144,833
Sales of properties	**25,611**	65,175
Rental income	**18,080**	15,792
	198,442	225,800

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 a strategic business unit that is subject to risks and returns that are different from the other reportable segment. Details of the reportable segments are as follows:

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

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

Six months ended 30 September 2011	**Pearls and jewellery HK$'000**	**Property development and investment HK$'000**	**Total HK$'000**
Total segment revenue	**154,751**	**44,227**	**198,978**
Inter-segment revenue	**—**	**(536)**	**(536)**
Revenue from external customers	**154,751**	**43,691**	**198,442**
Segment profit	**31,169**	**51,179**	**82,348**

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

5. SEGMENT INFORMATION (Continued)

Six months ended 30 September 2010	Pearls and jewellery 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

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

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Total profit before tax for reportable segments	**82,348**	22,146
Fair value change in financial assets at fair value through profit or loss	**(18,547)**	2,766
Dividend income	**824**	1,267
Share option expenses	**(12,235)**	(1,534)
Corporate expenses, net	**(2,993)**	(1,041)
Profit before income tax	**49,397**	23,604

A reconciliation of the reportable segments' assets to the Group's total assets is as follows:

As at 30 September 2011	**Pearls and jewellery HK$'000**	**Property development and investment HK$'000**	**Total HK$'000**
Total assets for reportable segments	**639,969**	**1,596,277**	**2,236,246**
Corporate assets			**7,701**
Financial assets at fair value through profit or loss			**39,946**
Total assets			**2,283,893**

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

5. SEGMENT INFORMATION (Continued)

As at 31 March 2011	Pearls and jewellery HK$'000	Property development and investment HK$'000	Total HK$'000
Total assets for reportable segments	612,092	1,431,371	2,043,463
Corporate assets			34,535
Financial assets at fair value through profit or loss			30,540
Total assets			2,108,538

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
The following items have been charged/(credited) to profit before income tax during the period:		
Finance costs:		
Interest on borrowings	**5,605**	4,810
Less: Amount capitalised	**(5,518)**	(3,683)
	87	1,127
Fair value change in financial assets at fair value through profit or loss	**18,547**	(2,766)
Gain on disposals of investment properties	**(12,981)**	(6,245)
Staff costs, including directors emoluments	**38,725**	36,921
Provision for/(Reversal of provision for) inventory obsolescence	**2,700**	(4,000)
(Recovery of)/Provision for impairment of trade and other receivables	**(13,132)**	4,738
Amortisation of prepaid lease payments	**1,149**	1,200
Depreciation of property, plant and equipment	**4,101**	4,902

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
Current income tax:		
Hong Kong profits tax	**1,971**	1,483
PRC enterprise income tax	**11,863**	8,673
PRC land appreciation tax	**6,503**	6,029
	20,337	16,185
Deferred income tax:		
Net charge/(credit) to current period	**340**	(7,913)
	20,677	8,272

Hong Kong profits tax has been provided at a rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the six months ended 30 September 2011.

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	
	2011	2010
	HK$'000	HK$'000
Interim dividend declared, of HK3.00 cents (2010: Nil) per ordinary share	**37,486**	—

The Board has declared an interim dividend of HK3.00 cents (2010: Nil) per share for the six months ended 30 September 2011. The interim dividend amounting to HK$37,486,000 has not been recognised as a liability in these condensed consolidated financial statements.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 September 2011 is based on the profit attributable to equity holders of the Company for the period of HK$17,002,000 (2010: HK$15,098,000) and on the weighted average number of 1,228,239,000 shares (2010: 1,226,195,000 shares) in issue during the period.

Diluted earnings per share for six months ended 30 September 2011 is calculated based on the profit for the period of HK$17,002,000 (2010:HK$15,098,000) and on the adjusted weighted average number of 1,245,950,000 shares (2010: 1,252,196,000 shares) which represented the weighted average number of 1,228,239,000 shares (2010: 1,226,195,000 shares) in issue during the period and the weighted average number of 17,711,000 shares (2010: 26,001,000 shares) deemed to have been issued at no consideration, assuming the exercise of the shares options.

10. CAPITAL EXPENDITURE

	Investment properties HK$'000	Investment properties under construction HK$'000	Property, plant and equipment HK$'000
Six months ended 30 September 2011			
Net book amount at 1 April 2011	**847,257**	**61,741**	**117,736**
Additions	**—**	**—**	**2,024**
Interest capitalised	**—**	**2,607**	**—**
Depreciation	**—**	**—**	**(4,101)**
Disposals	**(38,665)**	**—**	**(141)**
Increase/(Decrease) in fair value	**6,700**	**(2,394)**	**5,465**
Transfer from investment properties to property, plant and equipment	**(2,035)**	**—**	**2,035**
Transfer from property, plant and equipment to investment properties	**1,916**	**—**	**(1,916)**
Transfer from prepaid lease payments	**893**	**—**	**—**
Exchange differences	**24,088**	**2,006**	**517**
Net book amount at 30 September 2011	**840,154**	**63,960**	**121,619**

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

10. CAPITAL EXPENDITURE (Continued)

	Investment properties HK$'000	Investment properties under construction HK$'000	Property, plant and equipment HK$'000
Six months ended 30 September 2010			
Net book amount at 1 April 2010	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

11. PROPERTIES UNDER DEVELOPMENT

	Six months ended 30 September	
	2011	2010
	HK$'000	HK$'000
At beginning of the period	**36,711**	69,431
Additions	**46,811**	4,358
Interest capitalised	**2,911**	459
Transferred from investment properties under construction	**—**	14,096
Transferred to completed properties held for sale	**—**	(73,372)
Exchange differences	**1,234**	1,229
At end of the period	**87,667**	16,201

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

12. TRADE AND OTHER RECEIVABLES

The Group grants an average credit period of 60 days to its 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$66,985,000 (31 March 2011: HK$47,596,000) and their ageing analysis is as follows:

	30 September 2011 HK$'000	31 March 2011 HK$'000
Not past due	**29,004**	16,543
1 to 60 days past due	**30,102**	20,484
61 to 120 days past due	**4,351**	5,872
More than 120 days past due	**3,528**	4,697
	66,985	47,596

13. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$94,112,000 (31 March 2011: HK$91,606,000) and their ageing analysis is as follows:

	30 September 2011 HK$'000	31 March 2011 HK$'000
0 to 60 days past due	**92,601**	89,172
61 to 120 days past due	**—**	369
More than 120 days past due	**1,511**	2,065
	94,112	91,606

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

14. BORROWINGS

	30 September 2011 HK$'000	31 March 2011 HK$'000
Current		
Bank borrowings	—	23,800
Other loan	36,900	—
	36,900	23,800
Non-current		
Bank borrowings	—	71,400
Other loan	147,600	—
	147,600	71,400
Total borrowings	184,500	95,200

The maturity of the above borrowings is as follows:

	Bank borrowings		Other loan	
	30 September 2011 HK$'000	31 March 2011 HK$'000	30 September 2011 HK$'000	31 March 2011 HK$'000
Within 1 year	—	23,800	36,900	—
Between 1and 2 years	—	—	36,900	—
Between 2 and 5 years	—	71,400	110,700	—
	—	95,200	184,500	—

(a) Bank borrowings — secured

As at 31 March 2011, the Group's bank borrowings of HK$95,200,000, denominated in Chinese Renminbi ("RMB"), were secured by certain investment properties and completed properties held for sales located in the PRC with an aggregate carrying amount of HK$117,515,000.

The carrying amount of bank borrowings approximated its fair value. The bank borrowings were carried at interest rate ranging from 5.3% to 6.3% per annum.

All bank borrowings were fully repaid during the six months ended 30 September 2011.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

14. BORROWINGS (Continued)

(b) Other loan — secured

During the six months ended 30 September 2011, the Group entered into a fund arrangement with a financial institution (the "Trustee"). Pursuant to this fund arrangement, the Trustee raised a trust fund totaling RMB150,000,000 to finance property development projects in relation to China Pearls & Jewellery City. The fund is subject to daily interests at 1.3 times of the People's Bank of China 3 to 5 years interest rate and which is subject to the review in each stipulated repayment period. This fund arrangement is recognised as other loan and will mature in June 2016.

The carrying amount of other loan of HK$184,500,000, denominated in RMB, is subject to an effective interest rate of 8.9% per annum.

The other loan was secured by certain investment properties located in the PRC with an aggregate carrying amount of HK$284,362,000.

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 2011	1,227,090	122,709
Issue of new shares upon exercise of share options	8,300	830
At 30 September 2011	1,235,390	123,539

16. RELATED PARTY TRANSACTIONS

(a) Key management compensation

	Six months ended 30 September	
	2011 **HK$'000**	2010 HK$'000
Salaries, wages and other benefits	**6,136**	6,913
Pension costs-defined contribution plans and social security costs	**24**	24
Share options benefit	**858**	1,341
	7,018	8,278

Notes to the Condensed Interim Financial Statements

For the six months ended 30 September 2011

16. RELATED PARTY TRANSACTIONS (Continued)

(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 2011 HK$'000	2010 HK$'000
An entity which is significantly influenced by a key management personnel of the Company	Reimbursement of rental charges and related expenses paid on behalf	**906**	942

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

17. CAPITAL COMMITMENT

	30 September 2011 HK$'000	31 March 2011 HK$'000
Capital expenditure in relation to construction of properties and land acquisition contracted for but not provided in the consolidated financial statements.	**46,509**	89,611

18. CONTINGENT LIABILITIES

As at 30 September 2011, 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 period ended 30 September 2011. (31 March 2011: 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 2011, the Group has maximum exposure on the guarantees of HK$61,168,000 (31 March 2011: HK$88,429,000). 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 2011 (31 March 2011: Nil).

Management Discussion and Analysis

BUSINESS REVIEW

Pearls and Jewellery Operations

The global economy was affected by the challenges from the fragile United States and European economies. Uncertainties concerning the prospects of the United States economy and the relapse of the European debt crisis have generated concerns over the global economies which are likely to influence some Asian markets with a slowdown in economic growth. It will be challenging in the forthcoming year for the Group's export to these regions.

China's 2011 first half economic growth has remained strong at 9.6%, and the rising inflation drives up costs. The Group faces the pressure on the increasing cost of processing and production of pearls and jewellery products in the PRC.

The Group's pearls and jewellery operations were still steady during this period. We will continue to closely monitor our business operations and maintain adequate liquidity to fund our operations. In the meantime, we will spare no effort in overcoming the challenges that stem from the difficult operating environment, striving to enhance the Group's operation efficiency.

Property Development and Investment Operations

Addressing concerns of inflation and in an attempt to prevent any possible overheating of the economy, the Chinese government responses to manage the situation by introducing strict measures to stabilise property prices such as introduction of sales and property tax, business operations is bound to be affected to varying degrees. In addition, the continuing tightening of bank lendings has dampened the property market, and will affect the results of the operation of China Pearls and Jewellery City (the "CP&J City").

In view of the global uncertainties and the prospect for continued housing purchase restrictions in China, we will continue to adopt prudent and strict approach to closely monitor the development and property sales of the CP&J City.

FINANCIAL REVIEW

The Company and its subsidiaries (the "Group") have two main business segments. One business segment is engaging in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewellery products (the "Pearl and Jewellery Segment") while another business segment is property development and investment (the "Property Development and Investment Segment").

Revenue and gross profit

Pearl and Jewellery Segment

Net sales attributable to the Pearl and Jewellery Segment increased by HK$10.0 million, or 6.9% from HK$144.8 million for the six months ended 30 September 2010 to HK$154.8 million for the six months ended 30 September 2011. The growth was attributable to an increase in net sales of saltwater pearls. The Group focused on the product development and created the products with the different characteristic in increasing the element of saltwater pearls to spur the demand of pearls from our customers. The contribution of saltwater pearls to the Group's net sales increased by HK$12.1 million to HK$45.4 million, accounting for 29.3% of total net sales of the segment, as compared to HK$33.3 million, accounting for 23.0%, in last corresponding period.

Management Discussion and Analysis

Assembled jewellery continues to be the greatest contribution to the sales performance, which in line with the last corresponding period and reached HK$106.2 million (2010: HK$107.0 million), accounting for 68.6% (2010: 73.9%) of total net sales for the segment.

Net sales in the Group's largest market, Europe, slightly decreased by 3.0% to HK$74.3 million from HK$76.6 million in last corresponding period as the customers are conservative in their procurement strategy due to the current debt crisis in European zone. Net sales in North America and other regions posted a positive growth by 18.0%, in aggregate, to HK$80.5 million from HK$68.2 million in last corresponding period.

Gross profit decreased by HK$0.3 million, or 0.6% from HK$56.9 million for the six months ended 30 September 2010 to HK$56.6 million for the six months ended 30 September 2011. The gross profit margin decreased by 2.8% from 39.3% for the six months ended 30 September 2010 to 36.5% for the six months ended 30 September 2011, due to a surge of material prices, such as precious metal and diamonds, and an increase in production cost amid rising inflation in the PRC and gradual appreciation of Chinese Renminbi. The Group takes measures to control the cost of sales by way of flexible purchasing strategy and optimising the production efficiency.

Property Development and Investment Segment

Revenue for the six months ended 30 September 2011 from Property Development and Investment Segment was HK$43.6 million (2010: HK$81.0 million), comprising net sales of properties of HK$25.5 million (2010: HK$65.2 million) and rental income of HK$18.1 million (2010: HK$15.8 million). CP&J City continues to be the major contribution to the performance in property development and investment segment, accounted for 86.5% of total revenue of the segment.

Net sales of properties decreased by HK$39.7 million, or 60.9% from HK$65.2 million for the six months ended 30 September 2010 to HK$25.5 million for the six months ended 30 September 2011. Net sales of properties were mainly attributable to the contribution of sale of completed apartments in CP&J City for which it had been launched for sales in year 2010. China domestic liquidity situation remains tight since People's Bank of China raised the deposit-reserve ratio for major banks in the PRC to 21.5% in June 2011 which hit record high. It impeded both investors and merchants to purchase the shop or booth in CP&J City as it is difficult for them to obtain credit from banks.

Rental income increased by HK$2.3 million, or 14.6% from HK$15.8 million for the six months ended 30 September 2010 to HK$18.1 million for the six months ended 30 September 2011. The increase in rental income was primarily due to an increase in the rental rate and the leased units in CP&J City.

Gross profit attributable to Property Development and Investment Segment increased by HK$15.6 million, or 177.3% from HK$8.8 million for the six months ended 30 September 2010 to HK$24.4 million for the six months ended 30 September 2011.

The Group gave effect to a promotional sales arrangement ("PSA") in year 2009 under which the Group sold the specific properties to purchasers at discount rates. The units of properties available for sale under the PSA are lesser and lesser. The gross profit margin rebounded by 45.2% from 10.9% for the six months ended 30 September 2010 to 56.1% for the six months ended 30 September 2011, due to the absence of the properties sold with discount under PSA during the period under review.

Management Discussion and Analysis

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

S&A expenses of HK$45.7 million (2010: HK$55.7 million) was consisting of selling expenses of HK$7.9 million (2010: HK$7.8 million) and administrative expenses of HK$37.8 million (2010: HK$47.9 million).

Administrative expenses decreased by HK$10.1 million, or 21.1% from HK$47.9 million for the six months ended 30 September 2010 to HK$37.8 million for the six months ended 30 September 2011, due to a recovery of impairment of trade and other receivables of HK$13.1 million as compared to provision of HK$4.7 million made in last corresponding period, which is partially offset by a share based payment of HK$11.3 million.

The Group engaged a consultant to assist in seeking and identifying an appropriate target company for the strategic co-operation in the development of mirco-credit business and also seeking and identifying a senior executive with appropriate experience and reputation in the financial sector. The Company granted options to the consultant as the service fee. As such, the Company recorded the share based payment of HK$11.3 million in the income statement during the period.

Profit attributable to equity holders of the Company

During the period under review, the Group incurred a loss of HK$18.6 million (2010: a gain of HK$2.8 million) for fair value change in trading securities listed in Hong Kong, due to the negative sentiment on global recession fears prevailing on Hong Kong stock market. The Company expects that the price drop of the securities is temporary and the stock market will continue to fluctuate.

Profit attributable to equity holders of the Company increased by HK$1.9 million, or 12.6% from HK$15.1 million for the six months ended 30 September 2010 to HK$17.0 million for the six months ended 30 September 2011.

Liquidity and capital resources

As at 30 September 2011, the Group's total equity, including non-controlling interests, was HK$1,430.1 million (31 March 2011: HK$1,357.0 million), representing an increase of 5.4% over the last year.

As at 30 September 2011, the Group had cash and bank balance of HK$680.3 million (31 March 2011: HK$606.8 million). Cash and bank balance was mainly denominated in Hong Kong dollars, United States dollars and Chinese Renminbi. The Group's working capital, representing net current assets, was HK$631.5 million (31 March 2011: HK$480.6 million). The current ratio, representing the current assets divided by the current liabilities, was 2.0 (31 March 2011: 1.8).

As at 30 September 2011, the Group's total borrowings, denominated in Chinese Renminbi, were HK$184.5 million (31 March 2011: HK$95.2 million), which was to finance the property development project in connection with CP&J City. The borrowings are interest-bearing and interests are subject to the review in stipulated period based on prevailing lending rates in the PRC. The Group does not currently use any derivatives to manage interest risk. Gearing ratio, representing total borrowings divided by total equity, was 0.13 (31 March 2011: 0.07).

Management Discussion and Analysis

As at 30 September 2011, the Group had available banking facilities of HK$119.4 million (31 March 2011: HK$228.5 million) with various banks. With the committed unused banking facilities in place and available cash and cash equivalents, the Group has adequate financial resources to meet our anticipated future liquidity requirements and capital expenditure commitment.

The Group's borrowings and banking facilities were secured by certain investment properties and completed properties held for sale located in Hong Kong and the PRC with an aggregate carrying amount of HK$416.4 million (31 March 2011: HK$242.2 million).

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 Chinese Renminbi, in which the Group's transactions were mainly denominated during the six months ended 30 September 2010 and the six months ended 30 September 2011. Since Hong Kong dollars remain 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 business in Mainland China, in which most of their transactions, including revenue, expenses and financing, are denominated in Chinese Renminbi. The Group has not been exposed to any significant foreign exchange transaction risk and had not been entered into any foreign exchange contract as hedging measures.

Contingent liabilities

As at 30 September 2011, the Group had contingent liabilities of HK$61.2 million (31 March 2011: HK$88.4 million) in respect of guarantee for the mortgage of purchasers of properties in CP&J City under mortgage collaboration agreement with a bank in the PRC.

Human resources

As at 30 September 2011, the Group had a total workforce of 1,014 (31 March 2011: 998), of whom 60 (31 March 2011: 60) were based in Hong Kong. The total staff cost, including directors' emoluments, share options benefit and mandatory provident fund, was approximately HK$38.7 million (2010: HK$36.9 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

Looking forward, affected by financial deficit in the part of European countries and the United States, debt crisis, inflation, monetary policy, trade friction, global economy will recover in a slow and complicated way inevitably. However, due to the stable situation in the PRC, continuously growing domestic market and optimisation of industrial structure, the PRC remains as one of the countries that enjoy the most favourable economy in the world. The Group expects that the business environment for both our pearls and property operations will remain challenging. We will continue to identify and advance its investment in the PRC.

Management Discussion and Analysis

Micro Credit Business

In September 2011, the Company made a decision to build micro credit in the PRC as a new line of business. The Company believes that the sector has great potential.

In 2008, the People's Bank of China and the Chinese Banking Regulatory Commission announced a broad set of policies for the sector, paving the way for the licencing of micro credit companies. Since then, approximate 3,700 micro credit firms have been licensed across China. Their average capital base is around RMB100 million, and lending rate is capped at 4 times of the prime lending rate (the prime lending rate is just below 7% at present). In the past three years, the sector has seen healthy growth, as banks are either unable or unwilling to make small loans.

The sector is licenced and regulated by provincial governments, and rules differ between regions. At present, micro credit firms are not allowed to take deposits, and are only allowed to borrow from banks up to 50 percent of their equity capital. However, some provinces have raised the ceiling to 100% of equity capital. Some regions even allow micro credit firms to borrow from shareholders. The Company sees further relaxation or the raising of debt ceilings in the future. In addition, some micro credit firms have securitised their loan portfolios in order to expand their lending capabilities.

Some micro credit firms have taken two other measures to enhance returns on equity: providing banks with lending assistance (i.e. to sub-contract lending services from banks), and providing managerial services (managing other micro credit firms).

There is another way to enhance returns on equity in the sector. Micro credit firms can raise money from third parties and lend out or make equity investments in the sector, similar to fund management operations. Some firms are exploring this possibility.

The Company plans to take controlling interests in well-run micro credit companies, and expand our operations in China, leveraging off their expertise and providing them with financial and other support. At a regulatory level, we will take a coordinated approach. With a common set of risk control standards, we will explore potential to conduct loan securitisation, and loan assistance services.

DIVIDEND

The board of directors of the Company (the "Board") has resolved to declare an interim dividend of HK3.00 cents (2010: Nil) per ordinary share for the six months ended 30 September 2011 payable on or about Friday, 23 December 2011 to all shareholders of the Company whose names appear on the Register of Members of the Company on Friday, 16 December 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 14 December 2011 to Friday, 16 December 2011 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 13 December 2011.

Other Information

SHARE OPTION SCHEME

Details of the share options granted to directors of the Company (the "Director(s)")and eligible employees under the share option scheme adopted by the Company on 2 August 2002 (the "2002 Share Option Scheme") as at 30 September 2011 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 2011	Granted during the period	Exercised during the period	Lapsed during the period	Balance as at 30 September 2011	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	5,000,000	—	—	(5,000,000)	—	1, 2
Mr. Zhang Huaqiao	20 September 2011	20 September 2011 to 19 September 2016	Note 5	0.630	—	12,353,902	—	—	12,353,902	1, 2
					25,000,000	12,353,902	—	(5,000,000)	32,353,902	
Other Employees	2 May 2006	2 May 2006 to 1 May 2012	Nil	0.253	10,000,000	—	—	—	10,000,000	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 6	0.500	5,000,000	—	—	—	5,000,000	1, 2
	27 August 2009	27 August 2009 to 26 August 2012	Note 7	0.397	16,550,000	—	(1,300,000)	—	15,250,000	1, 2
					38,550,000	—	(8,300,000)	—	30,250,000	
					63,550,000	12,353,902	(8,300,000)	(5,000,000)	62,603,902	

Notes:

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

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

Other Information

3. 2,500,000 options were vested on the date of grant, another 2,500,000 options were vested on the first anniversary of the date of grant and the remaining 3,000,000 options were vested on the second anniversary of the date of grant.

4. Mr. Lee Kang Bor, Thomas resigned as Chief Executive Officer of the Company on 31 March 2011 and the remaining 5,000,000 options held by him were lapsed on 30 April 2011.

5. 4,117,967 options were vested on the date of grant, another 4,117,967 options will be vested on the first anniversary of the date of grant and the remaining 4,117,968 options will be vested on the second anniversary of the date of grant.

6. Vesting period of these options was from 13 March 2007 to 31 December 2007.

7. 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.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2011, 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

		Number of ordinary shares of HK$0.10 each held			
Name of director	Capacity	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	468,781,655 (Note 1)	704,468,928	57.02%
Mr. Cheng Tai Po	Beneficial owner and interest of a controlled corporation	104,086,180	468,781,655 (Note 1)	572,867,835	46.37%

Other Information

Notes:

1. 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.

2. Each of Mr. Cheng Chung Hing and Mr. Cheng Tai Po was interested in share options granted by the Company each in respect of 1,000,000 ordinary shares in the Company. Their interests in the aforesaid share options are disclosed in the section headed "Share Option Scheme".

(b) Long positions in underlying shares of the Company

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

Save as disclosed above, none of the Directors of the Company had, as at 30 September 2011, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 September 2011, substantial shareholders' interests or short positions in the shares and underlying shares of the Company, other than the Directors, 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		Percentage of the issued share capital of the Company
		Direct interest	Deemed interest	
Rich Men Limited	Beneficial Owner	468,781,655	—	37.94%

The interests stated above represent long positions.

Save as disclosed above, as at 30 September 2011, the Company has not been notified of any person (other than Directors of the Company) or entity had an interests 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 2011.

Other Information

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 2011, 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 a non-executive Director and all 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 15 August 2011, Mr. Cheng Chung Hing and Mr. Cheng Tai Po 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.

As at 30 September 2011, the Board consists of a total of eight Directors, comprising three executive Directors, two non-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 2011 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 of the Listing Rules on the Stock Exchange for securities transactions by the Directors. 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 2011.

Other Information

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 2010/11 Annual Report are set out below:

Name of Director	Details of Changes/Updated Information
Mr. Cheng Chung Hing	Entitled to receive remuneration of HK$3,600,000 per annum, which was determined by the Board with reference to the director's time commitment to the Company's development strategy.
Mr. Lee Kang Bor, Thomas	Redesignated as non-executive director;
	Entitled to receive remuneration HK$200,000 per annum with reference to the scope of responsibilities and obligation.

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, 29 November 2011