WELLS FARGO ADVANTAGE MULTI-SECTOR INCOME FUND
Form 40-17G/A
September 27, 2010

Chubb Group of Insurance Companies **DECLARATIONS**

FINANCIAL INSTITUTION

15 Mountain View Road, Warren, New Jersey 07059 **EXCESS BOND FORM E**

NAME OF ASSURED: Bond Number: 82183333

WELLS FARGO FUNDS TRUST **FEDERAL INSURANCE COMPANY**

Incorporated under the laws of Indiana,

525 MARKET STREET, 12TH FLOOR a stock insurance company, herein called the
COMPANY

SAN FRANCISCO, CA 94105

Capital Center, 251 North Illinois, Suite 1100

Indianapolis, IN 46204-1927

ITEM 1. BOND PERIOD: from 12:01 a.m. on July 9, 2010

to 12:01 a.m. on September 1, 2011

ITEM 2. AGGREGATE LIMIT OF LIABILITY: $20,000,000

ITEM 3. SINGLE LOSS LIMIT OF LIABILITY: $20,000,000

ITEM 4. DEDUCTIBLE AMOUNT: $ 60,050,000

ITEM 5. PRIMARY BOND:

Insurer: GREAT AMERICAN INSURANCE COMPANY

Form and Bond No. Investment Company Bond/No. 517-76-01-07

Limit $20,000,000

Deductible: $50,000

Bond Period 7/9/2010-9/1/2011

Insurer: Fidelity and Deposit Company of Maryland

Form and Bond No. Excess Bond/No. 0004712 09

Limit $20,000,000

Deductible: $20,050,000

Bond Period 7/9/2010-9/1/2011

Insurer: Berkley Regional Insurance Company

Form and Bond No. Excess Bond/No. BFI-71000386-10

Limit $20,000,000

Deductible: $40,050,000

Bond Period 7/9/2010-9/1/2011

ITEM 6. COVERAGE EXCEPTIONS TO PRIMARY BOND:

NOTWITHSTANDING ANY COVERAGE PROVIDED BY THE PRIMARY BOND, THIS EXCESS BOND DOES NOT DIRECTLY OR INDIRECTLY COVER: Any sub-limited Coverages

ITEM 7. TOTAL OF LIMITS OF LIABILITY OF OTHER UNDERLYING BONDS, EXCESS OF PRIMARY BOND: $40,000,000

ITEM 8.THE LIABILITY OF THE COMPANY IS ALSO SUBJECT TO THE TERMS OF THE FOLLOWING ENDORSEMENTS EXECUTED SIMULTANEOUSLY HEREWITH: 1-2

IN WITNESS WHEREOF, THE COMPANY issuing this Bond has caused this Bond to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.

The COMPANY, in consideration of the required premium, and in reliance on the statements and information furnished to the COMPANY by the ASSURED, and subject to the DECLARATIONS made a part of this bond and to all other terms and conditions of this bond, agrees to pay the ASSURED for:

Insuring Clause Loss which would have been paid under the **Primary Bond** but for the fact the loss exceeds the **Deductible Amount**.

Coverage under this bond shall follow the terms and conditions of the **Primary Bond**, except with respect to:

a. The coverage exceptions in ITEM 6. of the DECLARATIONS; and

b. The limits of liability as stated in ITEM 2. and ITEM 3. of the DECLARATIONS.

With respect to the exceptions stated above, the provisions of this bond shall apply.

General Agreements

Change Or Modification Of Primary Bond A. If after the inception date of this bond the **Primary Bond** is changed or modified, written notice of any such change or modification shall be given to the COMPANY as soon as practicable, not to exceed thirty (30) days after such change or modification, together with such information as the COMPANY may request. There shall be no coverage under this bond for any loss related to such change or modification until such time as the COMPANY is advised of and specifically agrees by written endorsement to provide coverage for such change or modification.

Representations Made B. The ASSURED represents that all information it has furnished to the

By Assured COMPANY for this bond or otherwise is complete, true and correct. Such information constitutes part of this bond.

The ASSURED must promptly notify the COMPANY of any change in any fact or circumstance which materially affects the risk assumed by the COMPANY under this bond.

Any misrepresentation, omission, concealment or incorrect statement of a material fact by the ASSURED to the COMPANY shall be grounds for recision of this bond.

Notice To Company Of C. The ASSURED shall notify the COMPANY at the earliest practical moment,

Legal Proceedings Against not to exceed thirty (30) days after the ASSURED receives notice, of any

Assured - Election To legal proceeding brought to determine the ASSURED’S liability for any loss,

Defend claim or damage which, if established, would constitute a collectible loss under this bond or any of the **Underlying Bonds**. Concurrent with such notice, and as requested thereafter, the ASSURED shall furnish copies of all pleadings and pertinent papers to the COMPANY.

If the COMPANY elects to defend all or part of any legal proceeding, the court costs and attorneys’ fees incurred by the COMPANY and any settlement or judgment on that part defended by the COMPANY shall be a loss under this bond. The COMPANY’S liability for court costs and attorneys’ fees incurred in defending all or part of such legal proceeding is limited to the proportion of such court costs and attorneys’ fees incurred that the amount recoverable under this bond bears to the amount demanded in such legal proceeding.

If the COMPANY declines to defend the ASSURED, no settlement without the prior written consent of the COMPANY or judgment against the ASSURED shall determine the existence, extent or amount of coverage under this bond, and the COMPANY shall not be liable for any costs, fees and expenses incurred by the ASSURED.

Conditions And

Limitations

Definitions 1. As used in this bond:

a. **Deductible Amount** means the amount stated in ITEM 4. of the

DECLARATIONS. In no event shall this **Deductible Amount** be reduced for any reason, including but not limited to, the non-existence, invalidity, insufficiency or uncollectibility of any of the **Underlying Bonds**, including the insolvency or dissolution of any Insurer providing coverage under any of the **Underlying Bonds**.

b. **Primary Bond** means the bond scheduled in ITEM 5. of the

DECLARATIONS or any bond that may replace or substitute for such bond.

c. **Single Loss** means all covered loss, including court costs and attorneys' fees incurred by the COMPANY under General Agreement C., resulting from:

(1) any one act of burglary, robbery or attempt either, in which no

employee of the ASSURED is implicated, or

(2) any one act or series of related acts on the part of any person resulting in damage to or destruction or misplacement of property, or

(3) all acts other than those specified in c.(1) and c.(2), caused by any person or in which such person is implicated, or

(4) any one event not specified above, in c.(1), c.(2) or c.(3).

d. **Underlying Bonds** means the **Primary Bond** and all other insurance

coverage referred to in ITEM 7. of the DECLARATIONS.

2. The COMPANY'S total cumulative liability for all **Single Losses** of all ASSUREDS discovered during the BOND PERIOD shall not exceed the AGGREGATE LIMIT OF LIABILITY as stated in ITEM 2. of the DECLARATIONS. Each payment made under the terms of this bond shall reduce the unpaid portion of the AGGREGATE LIIMIT OF LIABILITY until it is exhausted.

On exhausting the AGGREGATE LIMIT OF LIABILITY by such payments:

a. the COMPANY shall have no further liability for loss or losses regardless of when discovered and whether or not previously reported to the COMPANY, and

b. the COMPANY shall have no obligation under General Agreement C. to continue the defense of the ASSURED, and on notice by the COMPANY to the ASSURED that the AGGREGATE LIMIT OF LIABILITY has been exhausted, the ASSURED shall assume all responsibility for its defense at its own cost.

The unpaid portion of the AGGREGATE LIMIT OF LIABILITY shall not be increased or reinstated by any recovery made and applied in accordance with Section 4. In the event that a loss of property is settled by indemnity in lieu of payment, then such loss shall not reduce the unpaid portion of the AGGREGATE LIMIT OF LIABILITY.

Single Loss Limit Of Liability The COMPANY'S liability for each **Single Loss** shall not exceed the SINGLE LOSS LIMIT OF LIABILITY as stated in ITEM 3. of the DECLARATIONS or the unpaid portion of the AGGREGATE LIMIT OF LIABILITY, whichever is less.

Discovery 3. This bond applies only to loss first discovered by the ASSURED during the BOND PERIOD. Discovery occurs at the earlier of the ASSURED being aware of:

a. facts which may subsequently result in a loss of a type covered by this bond, or

b. an actual or potential claim in which it is alleged that the ASSURED is liable to a third party,

regardless of when the act or acts causing or contributing to such loss occurred, even though the amount of loss does not exceed the applicable **Deductible Amount**, or the exact amount or details of loss may not then be known.

Subrogation-Assignment- 4. In the event of a payment under this bond, the COMPANY shall be

Recovery subrogated to all of the ASSURED'S rights of recovery against any person or entity to the extent of such payments. On request, the ASSURED shall deliver to the COMPANY an assignment of the ASSURED'S rights, title and interest and causes of action against any person or entity to the extent of such payment.

Conditions And

Limitations

Subrogation-Assignment- Recoveries, whether effected by the COMPANY or by the ASSURED, shall

Recovery be applied net of the expense of such recovery, first, to the satisfaction of the

(continued) ASSURED'S loss which would otherwise have been paid but for the fact that it is in excess of the AGGREGATE LIMIT OF LIABILITY, second, to the COMPANY in satisfaction of amounts paid in settlement of the ASSURED'S claim and third, to the ASSURED in satisfaction of the DEDUCTIBLE AMOUNT. Recovery from reinsurance and/or indemnity of the COMPANY shall not be deemed a recovery under this Section.

Cooperation Of Assured 5. At the COMPANY'S request and at reasonable times and places designated by the COMPANY the ASSURED shall:

submit to examination by the COMPANY and subscribe to the same under oath, and

b. produce for the COMPANY'S examination all pertinent records, and

c. cooperate with the COMPANY in all matters pertaining to the loss.

The ASSURED shall execute all papers and render assistance to secure to the COMPANY the rights and causes of action provided for under this bond. The ASSURED shall do nothing after loss to prejudice such rights or causes of action.

Termination 6. This bond terminates as an entirety on the earliest occurrence of any of the following:

sixty (60) days after the receipt by the ASSURED of a written notice from the COMPANY of its decision to terminate this bond, or

b. immediately on the receipt by the COMPANY of a written notice from the ASSURED of its decision to terminate this bond, or

c. immediately on the appointment of a trustee, receiver or liquidator to act on behalf of the ASSURED, or the taking over of the ASSURED by State or Federal officials, or

d. immediately on the dissolution of the ASSURED, or

e. immediately on exhausting the AGGREGATE LIMIT OF LIABILITY, or

f. immediately on expiration of the BOND PERIOD, or

g. immediately on cancellation, termination or recision of the **Primary Bond**.

Conformity 7. If any limitation within this bond is prohibited by any law controlling this bond's construction, such limitation shall be deemed to be amended so as to equal the minimum period of limitation provided by such law.

Change Or Modification 8. This bond or any instrument amending or affecting this bond may not be

Of This Bond changed or modified orally. No change in or modification of this bond shall be effective except when made by written endorsement to this bond signed by an Authorized Representative of the COMPANY.

WELLS FARGO FUNDS TRUST

525 MARKET STREET, 12TH FLOOR

SAN FRANCISCO, CA 94105

Re: Financial Strength

Insuring Company: FEDERAL INSURANCE COMPANY

Dear WELLS FARGO FUNDS TRUST

Chubb continues to deliver strong financial performance. Our financial strength, as reflected in

our published reports and our ratings, should give you peace of mind that Chubb will be there

for you when you need us most.

Chubb's financial results during 2009 stand out in the industry.

Chubb's balance sheet is backed with investments that we believe emphasize quality, safety, and liquidity, with total invested assets of $42.0 billion as of September 30, 2009.

With 127 years in the business, Chubb is here for the long term, which is why we vigorously guard our financial strength and take what we believe is a prudent approach to assuming risk –on both the asset and liability sides of our balance sheet.

Chubb is one of the most highly rated property and casualty companies in the industry, which is a reflection of our overall quality, strong financial condition, and strong capital position.

Chubb's financial strength rating is "A++" from A.M. Best Company, "AA" from Fitch, "Aa2" from Moody's, and "AA" from Standard & Poor's – the leading independent evaluators of the insurance industry.

Chubb's senior unsecured corporate debt rating from Standard & Poor's was upgraded from "A" to "A+" on December 15, 2008. Standard & Poor's also reaffirmed all of Chubb's ratings with a "stable" outlook

A.M. Best, Fitch, and Moody's recently affirmed all of Chubb's ratings with a "stable" outlook. (For reference, A.M. Best reaffirmed us on 12/23/08, Moody's on 2/4/09, and Fitch on 2/13/09.)

For more than 50 years, Chubb has remained part of an elite group of insurers that have maintained A.M. Best's highest ratings.

Chubb was named to Standard & Poor's list of S&P 500 Dividend Aristocrats, one of 52 companies in the S&P 500 index that have increased dividends every year for at least 25 consecutive years.

Chubb's investment portfolio has held up extremely well. Chubb takes what we believe is a conservative approach to selecting and managing our assets. Furthermore, Chubb does not have any direct exposure to the subprime mortgage-backed securities market, and we stopped doing new credit derivative business in 2003 and put existing business in runoff.

Rarely has Chubb's business philosophy – to underwrite conservatively and invest judiciously – been more important than it is today. By adhering to this philosophy, we now have the capacity and flexibility to respond to opportunities, especially when you engage us in fully understanding your business risks.

We want you to know that Chubb is well-positioned to continue serving your needs with our underwriting expertise; broad underwriting appetite across all property, casualty, and specialty lines; and claim services. If you have any questions, feel free to call your agent or broker or your local Chubb underwriter. As always, we appreciate the trust you place is us as your insurance partner.

IMPORTANT NOTICE TO POLICYHOLDERS

All of the members of the Chubb Group of Insurance companies doing business in the United States (hereinafter "Chubb") distribute their products through licensed insurance brokers and agents ("producers"). Detailed information regarding the types of compensation paid by Chubb to producers on US insurance transactions is available under the Producer Compensation link located at the bottom of the page at www.chubb.com, or by calling 1-866-588-9478. Additional information may be available from your producer.

Thank you for choosing Chubb.

POLICYHOLDER

DISCLOSURE NOTICE OF

TERRORISM INSURANCE COVERAGE

(for policies with no terrorism exclusion or sublimit)

You are hereby notified that, under the Terrorism Risk Insurance Act (the "Act"), effective December 26, 2007, this policy makes available to you insurance for losses arising out of certain acts of terrorism. Terrorism is defined as any act certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States Mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

You should know that the insurance provided by your policy for losses caused by acts of terrorism is partially reimbursed by the United States under the formula set forth in the Act. Under this formula, the United States pays 85% of covered terrorism losses that exceed the statutorily established deductible to be paid by the insurance company providing the coverage.

However, if aggregate insured losses attributable to terrorist acts certified under the Act exceed $100 billion in a Program Year (January 1 through December 31), the Treasury shall not make any payment for any portion of the amount of such losses that exceeds $100 billion.

If aggregate insured losses attributable to terrorist acts certified under the Act exceed

$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds $100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

The portion of your policy's annual premium that is attributable to insurance for such acts of terrorism is: $ **-0-.**

If you have any questions about this notice, please contact your agent or broker.

IMPORTANT NOTICE TO POLICYHOLDERS

All of the members of the Chubb Group of Insurance companies doing business in the United States (hereinafter "Chubb") distribute their products through licensed insurance brokers and agents ("producers"). Detailed information regarding the types of compensation paid by Chubb to producers on US insurance transactions is available under the Producer Compensation link located at the bottom of the page at www.chubb.com, or by calling 1-866-588-9478. Additional information may be available from your producer.

Thank you for choosing Chubb.

IMPORTANT POLICYHOLDER INFORMATION

Inquiries concerning your policy should be directed to your insurance agent. The name, address and telephone number of your agent, if one is involved, is shown on the policy and/or in the material accompanying the policy.

If you require additional information you may contact the California Insurance Department at either the following address or phone number:

California Insurance Department

300 South Spring Street

Los Angeles, CA 90012

1-800-927-HELP

FEDERAL INSURANCE COMPANY

Endorsement No:

Bond Number: 82183333

NAME OF ASSURED: WELLS FARGO FUNDS TRUST

PREMIUM ENDORSEMENT

It is agreed that:

The premium for this bond for the period July 9, 2010 to September 1, 2011 is:

Premium: Fifty-three thousoand three hundred forty-five ($53,345.00)

It is further agreed that this premium is subject to change during this period if amendments are made to this bond at the request of the ASSURED.

This Endorsement applies to loss discovered after 12:01 a.m. on July 9, 2010.

ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED.

Date: September 2, 2010

Excess Bond

Effective date of

this endorsement: July 9, 2010

FEDERAL INSURANCE COMPANY

Endorsement No.: 2

To be attached to and form a part of Bond

Number: 82183333

Issued to: WELLS FARGO FUNDS TRUST

COMPLIANCE WITH APPLICABLE TRADE SANCTION LAWS RIDER

It is agreed that this insurance does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit the coverage provided by this insurance.

ALL OTHER TERMS AND CONDITIONS OF THIS BOND REMAIN UNCHANGED.

Date: September 2, 2010

CHARTIS

National Union Fire Insurance Company of Pittsburgh, Pa.

A capital stock company

Follow Form Bond

DECLARATIONS

Bond Number: 02-581-91-58

Item 1. **Named Insured**: WELLS FARGO FUNDS TRUST

Address: 525 MARKET STREET

SAN FRANCISCO, CA 94105-2712

Item 2. **Bond Period**: From: July 9, 2010 To: September 1, 2011 at

12:01 A.M. Standard Time at the address of the Named Insured shown above

Item 3. **Limit of Liability**: $20,000,000 **Excess of** $90,000,000 **in the Aggregate of** $20,000,000

Item 4. **Schedule of primary underlying excess policies (herein collectively the "underlying program"):**

Primary Policy (herein "Primary Policy"):

Insurer: Great American

Policy Number	Single Loss Limit	Aggregate Limit	Deductible	Policy Period
FS517-76-01-07	$20,000,000	$20,000,000	$50,000	07/09/2010 to 09/01/2011

Underlying Excess Policy(ies):

Insurer: Fidelity and Deposit Company of Maryland

Policy Number	Single Loss Limit	Aggregate Limit	Policy Period
FIB0004712-09	$20,000,000 Excess of $20,000,000	$20,000,000	07/09/2010 to 09/01/2011

Insurer: Berkley Insurance Co.

Policy Number	Single Loss Limit	Aggregate Limit	Policy Period
BFI-71000386-10	$20,000,000	$20,000,000	07/09/2010 to 09/01/2011
	Excess of $40,000,000		

Insurer: Federal Insurance Company

Policy Number	Single Loss Limit	Aggregate Limit	Policy Period
8218-3333	$20,000,000	$20,000,000	07/09/2010 to 09/01/2011
	Excess of $60,000,000		

Insurer: Axis Insurance Company

Policy Number	Single Loss Limit	Aggregate Limit	Policy Period
MCN753993/01/20	$20,000,000	$10,000,000	07/09/2010 to 09/01/2011
	Excess of $80,000,000		

ITEM 5. The liability of the Underwriter is subject to the terms of the following riders attached hereto:

#1, #2, #3, #4, #5, #6

ITEM 6. The Insured by the acceptance of this bond gives notice to the Underwriter terminating or canceling prior bond(s) or policy(ies) No (s) N/A such termination or cancellation to be effective as of the time this bond becomes effective.

AUTHORIZED REPRESENTATIVE

NATIONAL UNION FIRE INSURANCE COMPANY

OF PITTSBURGH, PA.

A CAPITAL STOCK COMPANY

175 Water Street

New York, NY 10038

Follow Form Bond

Various provisions in this bond restrict coverage. Read the entire bond carefully to determine rights, duties and what is and is not covered.

Throughout this bond, the words “you” and “your” refer to the Named Insured as shown in Item 1 of the Declarations. The words “we”, “us” and “our” refer to the Company providing this insurance.

In consideration of the payment of the premium and in reliance upon the statements in the Declarations and in the Application, we agree with you to provide coverage as follows:

INSURING AGREEMENT

I. Coverage

We will pay on your behalf the Ultimate Net Loss in excess of the Underlying Bond as shown in Item 4 of the Declarations, but only up to an amount not exceeding our Limit of Liability as shown in Item 3 of the Declarations and only after the issuers of the Underlying Bond have paid or have been held liable to pay the full amount of limits of insurance of the Underlying Bond. Except for the terms, definitions, conditions and exclusions of this bond, the coverage provided by this bond shall follow the terms, definitions, conditions and exclusions of the Underlying Bond as shown in Item 4 of the Declarations.

The Limit of Liability shown in Item 3 of the Declarations states the most we will pay regardless of the number of Insureds, claims made or suits brought or persons or organizations making claims or bringing suits.

Ultimate Net Loss

The term "Ultimate Net Loss" means the amount payable in settlement of the loss of the Insured after making deductions for all recoveries and for other valid and collectible bonds, excepting however the Underlying Bond shown in Item 4 of the Declarations.

III. Conditions

Maintenance of Limit of Liability of Underlying Bond

The limit of liability of the Underlying Bond shall be maintained in full force and effect during the period of this bond. Under no circumstances, including but not limited to bankruptcy, insolvency or inability to pay at the issue of the Underlying Bond, will we drop down and replace the Underlying Bond or assume any obligation of the Underlying Bond.

If you fail to comply with this requirement, we will only be liable to the same extent that we would have been had you fully complied with this requirement.

Cancellation

You may cancel this bond. You must mail or deliver advance written notice to us stating when the cancellation is to take effect.

We may cancel this bond. If we cancel because of non-payment of premium, we must mail or deliver to you not less than ten (10) days advance written notice stating when the cancellation is to take effect. If we cancel for any other reason, we must mail or deliver to you not less than ninety (90) days advance written notice stating when the cancellation is to take effect. Mailing that notice to you at your mailing address shown in Item 1 of the Declarations will be sufficient to prove notice.

The bond period will end on the day and hour stated in the cancellation notice.

If we cancel, earned premium will be calculated pro rata based on the time this bond was in force.

If you cancel, earned premium will be calculated based on short rate tables.

The first Named Insured in Item 1 of the Declarations shall act on behalf of all other Insureds with respect to the giving and receiving of notice of cancellation and the receipt of any refund that may become payable under this bond.

Any of these provisions that conflict with a law that controls the cancellation of the insurance in this bond is changed by this statement to comply with that law.

Cancellation of Underlying Bond

This bond is canceled upon cancellation of the Underlying Bond. You must promptly notify us of the cancellation of the Underlying Bond. Such notice must be made when you send a notice of cancellation of the Underlying Bond to, or when you receive such notice from, the issuer of the Underlying Bond.

Changes to Underlying Bond

You must promptly notify us of any changes to the Underlying Bond which are made after its inception date. Any changes made to the Underlying Bond after its inception shall not affect the terms and conditions of this bond, which shall continue to apply as though no change had been made to the Underlying Bond.

Notice of Claim or Loss

You must notify us in writing as soon as practicable when you become aware of any claim or loss under the Underlying Bond or any bond which may give rise to any claim or loss under this bond.

Payment of Premium

The first Named Insured shown in Item 1 of the Declarations shall be responsible for payment of all premiums when due.

In Witness Whereof, we have caused this bond to be executed and attested, but this bond shall not be valid unless countersigned by one of our duly authorized representatives, where required by law.

SECRETARY **PRESIDENT**

ENDORSEMENT #1

This endorsement, effective 12:01 A.M. July 9, 2010 forms a part of

Policy No. 02-581-91-58

Issued to: WELLS FARGO FUNDS TRUST

By National Union Fire Insurance Company of Pittsburgh, PA.

CALIFORNIA AMENDATORY ENDORSEMENT

Wherever used in this endorsement: 1) "Insurer" mean the insurance company which issued this policy; and 2) , "Named Insured", "First Named Insured", and "Insured" mean the Named Corporation, Named Entity, Named Organization, Named Sponsor, Named Insured, or Insured stated in the declarations page; and 3) "Other Insured(s)" means all other persons or entities afforded coverage under the policy.

The following is added and supersedes any provision to the contrary:

CANCELLATION

The First Named Insured shown in the declarations may cancel the policy by mailing or delivering to the Insurer advance written notice of cancellation.

If the policy has been in effect for more than sixty (60) days or if it is a renewal, effective immediately, the Insurer may not cancel the policy unless such cancellation is based on one or more of the following reasons:

(1) Nonpayment of premium, including payment due on a prior policy issued by the Insurer and due during the current policy term covering the same risks.

(2) A judgment by a court or an administrative tribunal that the named Insured has violated any law of this state of or of the United States having as one of its necessary elements an act which materially increases any of the risks insured against.

(3) Discovery of fraud or material misrepresentation by either of the following:

a) The Insured or Other Insured(s) or his or her representative in obtaining the insurance; or

b) The named Insured or his or her representative in pursuing a claim under the policy.

(4) Discovery of willful or grossly negligent acts or omissions, or of any violations of state laws or regulations establishing safety standards, by the named Insured or Other Insured(s) or a representative of same, which materially increase any of the risks insured against.

ENDORSEMENT #1 (Condinued)

(5) Failure by the named Insured or Other Insured(s) or a representative of same to implement reasonable loss control requirements which were agreed to by the Insured as a condition of policy issuance or which were conditions precedent to the use by the Insurer of a particular rate or rating plan if the failure materially increases any of the risks insured against.

(6) A determination by the commissioner that the loss of, or changes in, an insurer's reinsurance covering all or part of the risk would threaten the financial integrity or solvency of the Insurer.

(7) A determination by the commissioner that a continuation of the policy coverage could place the Insurer in violation of the laws of this state or the state of its domicile or that the continuation of coverage would threaten the solvency of the Insurer.

(8) A change by the named Insured or Other Insured(s) or a representative of same in the activities or property of the commercial or industrial enterprise which results in a material added risk, a materially increased risk or a materially changed risk, unless the added, increased, or changed risk is included in the policy.

Notice of cancellation shall be delivered or mailed to the producer of record and the named Insured at least thirty (30) days prior to the effective date of cancellation. Where cancellation is for nonpayment of premium or fraud, notice shall be given no less than ten (10) days prior to the effective date of cancellation.

CONDITIONAL RENEWAL AND NONRENEWAL

If the Insurer decides not to renew the policy, or to increase the deductible, reduce the limits, eliminate coverages or raise premium more than 25%, the Insurer shall mail or deliver to the producer of record and the named Insured notice of nonrenewal at least sixty (60) days but no more than 120 days prior to the end of the policy period. The notice shall contain the reason for nonrenewal of the policy.

A notice of nonrenewal shall not be required in the following situations:

(1) If the transfer or renewal of a policy, without any changes in terms, conditions or rates, is between the Insurer and a member of the insurance group.

(2) If the policy has been extended for 90 days or less, provided that notice has been given in accordance with the nonrenewal notice requirements noted above.

(3) If the Named Insured has obtained replacement coverage, or has agreed, in writing, within 60 days of the termination of the policy, to obtain that coverage.

(4) If the policy is for a period of no more than 60 days and the Insured is notified at the time of issuance that it will not be renewed.

ENDORSEMENT #1 Continued)

(5) If the First Named Insured requests a change in the terms or conditions or risks covered by the policy within 60 days of the end of the policy period.

(6) If the Insurer has made a written offer to the First Named Insured, in accordance with timeframes shown above to renew the policy under changed terms or conditions or at an increased premium rate.

If the Insurer fails to give timely notice, the policy of insurance shall be continued, with no change in its terms or conditions, for a period of 60 days after the Insurer gives

notice.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

AUTHORIZED REPRESENTATIVE

ENDORSEMENT #2

This endorsement, effective 12:01 A.M. July 9, 2010 forms a part of

Policy No. 02-581-91-58

Issued to: WELLS FARGO FUNDS TRUST

By National Union Fire Insurance Company of Pittsburgh, Pa.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

COVERAGE TERRITORY ENDORSEMENT

Payment of loss under this policy shall only be made in full compliance with all United States of America economic or trade sanction laws or regulations, including, but not limited to, sanctions, laws and regulations administered and enforced by the U.S. Treasury

Department's Office of Foreign Assets Control ("OFAC").

AUTHORIZED REPRESENTATIVE

ENDORSEMENT #3

This endorsement, effective 12:01 A.M. July 9, 2010 forms a part of

Policy No. 02-581-91-58

Issued to: WELLS FARGO FUNDS TRUST

By National Union Fire Insurance Company of Pittsburgh, Pa.

DROP DOWN RIDER

It is a condition of the attached bond that the underlying bond(s) shall be maintained in full effect in the amount of **$90,000,000** during the period of the attached bond except for any reduction in the Aggregate Limit(s) of Liability contained therein solely by payment of claims.

If, by reason of the payment of any claim or claims, by Underwriters during the period of the attached bond which reduces the Aggregate Limit(s) of Liability of the underlying bond, the attached bond shall apply excess of the reduced Aggregate Limit(s) of Liability of the underlying bond. In the event of the exhaustion of the underlying limit(s), the attached bond shall continue in force as primary insurance, and the Deductible set forth in the Schedule of the primary bond shall apply to the attached bond.

However, in the event of any reinstatement of the underlying Aggregate Limit(s) of Liability, the attached bond shall apply as excess of the reinstated underlying Aggregate Limit(s) of Liability.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, limitations, conditions or agreements of the attached bond other than as above stated.

AUTHORIZED REPRESENTATIVE

ENDORSEMENT #4

This endorsement, effective 12:01 A.M. July 9, 2010 forms a part of

Policy No. 02-581-91-58

Issued to: WELLS FARGO FUNDS TRUST

By National Union Fire Insurance Company of Pittsburgh, Pa.

RELIANCE UPON OTHER CARRIER'S APPLICATION

In granting coverage under this policy, it is agreed that the **Insurer** has relied upon the statements and representations contained in the below referenced application (including materials submitted thereto and, if such application is a renewal application, all such previous policy applications, and their attachments and materials, for which this policy is a renewal or succeeds in time) as being accurate and complete. It is further understood and agreed that the **Organization** and the **Insureds** warrant and represent to the **Insurer** that the statements and representations made in such application were accurate on the date such representations and statement were so given and that in connection therewith the **Insureds** hereby reaffirm each and every statement made in our application to **Great American Insurance Companies** as accurate as of January 15, 2009 as if it was made to the **Insurer** on such date. All such statements and representations shall be deemed to be material to the risk assumed by the **Insurer**, are the basis of this policy and are to be considered as incorporated into this policy.

TYPE OF POLICY APPLICATION:

Investment Company Bond

CARRIER:

Great American Insurance Companies

DATE SIGNED:

July 9, 2010

ALL OTHER TERMS, CONDITIONS AND LIMITATIONS REMAIN UNCHANGED.

AUTHORIZED REPRESENTATIVE

ENDORSEMENT #5

This endorsement, effective 12:01 A.M. July 9, 2010 forms a part of

Policy No. 02-581-91-58

Issued to: WELLS FARGO FUNDS TRUST

By National Union Fire Insurance Company of Pittsburgh, Pa.

NOTICE OF CLAIM

(REPORTING BY E-MAIL)

In consideration of the premium charged, it is hereby understood and agreed as follows:

1. Email Reporting of Claims : In addition to the postal address set forth for any Notice of Claim Reporting under this policy, such notice may also be given in writing pursuant to the policy's other terms and conditions to the Insurer by email at the following email address:

Your email must reference the policy number for this policy. The date of the Insurer's receipt of the emailed notice shall constitute the date of notice.

In addition to Notice of Claim Reporting via email, notice may also be given to the Insurer by mailing such notice to: c-Claim for Financial Lines, AIG Domestic Claims, Inc., 175 Water Street, 9th Floor, New York, New York 10038 or faxing such notice to (866) 227-1750.

2. Definitions : For this endorsement only, the following definitions shall apply:

(a) "Insurer" means the "Insurer," "Underwriter" or "Company" or other name specifically ascribed in this policy as the insurance company or underwriter for this policy.

(b) "Notice of Claim Reporting" means "notice of claim/circumstance," "notice of loss" or other reference in the policy designated for reporting of claims, loss or occurrences or situations that may give rise or result in loss under this policy.

(c) "Policy" means the policy, bond or other insurance product to which this endorsement is attached.

3. This endorsement does not apply to any Kidnap & Ransom/Extortion Coverage Section, if any, provided by this policy.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

AUTHORIZED REPRESENTATIVE

ENDORSEMENT #6

This endorsement, effective 12:01 A.M. July 9, 2010 forms a part of

Policy No. 02-581-91-58

Issued to: WELLS FARGO FUNDS TRUST

By National Union Fire Insurance Company of Pittsburgh, Pa.

FORMS INDEX ENDORSEMENT

The contents of the Policy is comprised of the following forms:

FORM NUMBER	EDITION DATE	FORM TITLE
63674	10/95	FOLLOW FORM BOND DEC
63675	10/95	FOLLOW FORM BOND GUTS
52133	03/07	CALIFORNIA AMENDATORY CANCELLATION/NONRENEWAL
		DROP DOWN RIDER
		RELIANCE UPON OTHER CARRIER'S APPLICATION
99758	08/08	NOTICE OF CLAIM (REPORTING BY E-MAIL)
78859	10/01	FORMS INDEX ENDORSEMENT

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

AUTHORIZED REPRESENTATIVE

FINANCIAL INSTITUTION EXCESS FOLLOW FORM CERTIFICATE

The Great American Insurance Company, herein called the UNDERWRITER

Bond Number: FS 204-59-90 - 00

Name and Address of Insured: Wells Fargo Funds Trust

525 Market Street

San Francisco, CA 94105

The UNDERWRITER, in consideration of an agreed premium, and in reliance upon the statements and information furnished to the UNDERWRITER by the Insured, and subject to the terms and conditions of the underlying coverage scheduled in ITEM 3 below, as excess and not contributing insurance, agrees to pay the Insured for loss which:

(a) Would have been paid under the Underlying but for the fact that such loss exceeds the limit of liability of the Underlying Carrier (s) listed in Item 3, and

(b) for which the Underlying Carrier (s) has (have) made payment, and the Insured has collected the full amount of the expressed limit of the Underlying Carrier's (s) liability.

ITEM 1. BOND PERIOD: from 12:01 a.m. on 07/09/2010 to 12:01 a.m. on 09/01/2011

(inception) (expiration)

ITEM 2. LIMIT OF LIABILITY AT INCEPTION: $12,500,000 Single Loss Limit/$12,500,000 Aggregate Limit over Insuring Agreements A,B,C,D,E,F,J, and L (Financial Institution Investment Company Bond)

ITEM 3. UNDERLYING COVERAGE:

A) CARRIER: Great American Insurance Company

LIMIT: $20,000,000 Limit plus primary deductibles over Insuring Agreements A,B,C,D,E,F,J, and L (Financial Institution Investment Company Bond)

BOND NUMBER: FS 517-76-01 - 07

BOND PERIOD: 12:01 AM on 07/09/2010 to 12:01 AM on 09/01/2011

B) CARRIER: Zurich American Insurance Company

LIMIT: $20,000,000 Limit over Item A Above

BOND NUMBER: FIB 0004712 09

BOND PERIOD: 12:01 AM on 07/09/2010 to 12:01 AM on 09/01/2011

C) CARRIER: Berkley Regional Insurance Company

LIMIT: $20,000,000 Limit over Items A & B Above

	BOND NUMBER:	BFI-71000386-10
	BOND PERIOD:	12:01 AM on 07/09/2010 to 12:01 AM on 09/01/2011
D)	CARRIER:	Federal Insurance Company
	LIMIT:	$20,000,000 Limit over Items A, B & C Above
	BOND NUMBER:	82183333
	BOND PERIOD:	12:01 AM on 07/09/2010 to 12:01 AM on 09/01/2011
E)	CARRIER:	Axis Insurance Company
	LIMIT:	$10,000,000 Limit over Items A, B, C & D Above
	BOND NUMBER:	MCN753993/01/2010
	BOND PERIOD:	12:01 AM on 07/09/2010 to 12:01 AM on 09/01/2011
F)	CARRIER:	National Union Fire Insurance Company of Pittsburgh, PA
	LIMIT:	$20,000,000 over Items A, B, C, D & E Above
	BOND NUMBER:	02-581-91-58
	BOND PERIOD:	12:01 AM on 07/09/2010 to 12:01 AM on 09/01/2011

ITEM 4. Coverage provided by this Bond is subject to the following attached Rider(s):

Rider No. 1

ITEM 5. By acceptance of this Bond, you give us notice canceling prior Bond No. N/A, the cancellation to be effective at the same time this Bond becomes effective.

In witness whereof, the UNDERWRITER has caused this certificate to be signed by an Authorized Representative of the UNDERWRITER this 14th day of September, 2010.

GREAT AMERICAN INSURANCE COMPANY

By: ____

(Authorized Representative)

Excess Follow Form Certificate

10/2007 ed.

RIDER NO. 1

To be attached to and form part of Bond No. FS 204-59-90 - 00

Issued to Wells Fargo Funds Trust

It is agreed that:

Coverage provided by this Bond shall not respond as excess over any supplemental sub-limited coverage(s) that are part of the Primary Bond.

2. This rider shall become effective as of 12:01 a.m. on 07/09/2010 standard time.

143,132148,693 Total equity1,280,9501,262,421

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Attributable to shareholders of the Company						
	Issued capital	Share premium account	Other non-distributable reserve	Share option reserve	Property revaluation reserve	Exchange fluctuation reserve	General reserve
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
			(note a)				(note b)
At 1 April 2008	122,474	319,787	1,801	5,668	76,952	26,913	(36,112)
Total comprehensive income/(loss) for the period	—	—	—	—	(238)	15,129	
Release on depreciation of leasehold land and buildings	—	—	—	—	(584)	—	
Transferred to retained profits upon disposal of the properties	—	—	—	—	(147)	—	
Final 2008 dividend	—	—	—	—	—	—	(36,742)
At 30 September 2008	122,474	319,787	1,801	5,668	75,983	42,042	(72,854)

	Attributable to shareholders of the Company						
	Issued capital HK$'000 (unaudited)	Share premium account HK$'000 (unaudited)	Other non-distributable reserve HK$'000 (unaudited) (note a)	Share option reserve HK$'000 (unaudited)	Property revaluation reserve HK$'000 (unaudited)	Exchange fluctuation reserve HK$'000 (unaudited)	General reserve HK$'000 (unaudited) (note b)
At 1 April 2009	122,474	319,787	1,801	5,668	66,483	36,996	(72,854)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(54)	
Equity-settled share option arrangement	—	—	—	3,978	—	—	
Release on depreciation of leasehold land and buildings	—	—	—	—	(19)	—	
Transferred to retained profits upon disposal of the properties	—	—	—	—	(794)	—	
At 30 September 2009	122,474	319,787*	1,801*	9,646*	65,670*	36,942*	(72,854)

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

Notes:

(a) Other non-distributable reserve is arising from the transactions under corporation reorganisation in 1997.

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

(c) The Group's retained profits included an amount of HK$11,818,000 (unaudited) (30 September 2008: HK$9,852,000 (unaudited)) reserved by the subsidiaries in the People's Republic of China (the "PRC") in accordance with the relevant PRC regulations, this reserve is only distributable in the event of liquidation of PRC subsidiaries.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2009

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

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2009

1. BASIS OF PREPARATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

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

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

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3. SEGMENT INFORMATION (Continued)

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

2009	Pearls and jewelry HK$'000 (unaudited)	Property development and investment HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
Revenue			
External sales or rentals	116,155	32,447	148,602
Segment results	11,090	5,324	16,414
Interest and dividend income and other unallocated gains			7,845
Unallocated expenses			(7,377)
Finance costs			(255)
Share of profit of an associate			49
Profit before tax			16,676

2008	Pearls and jewelry HK$'000 (unaudited)	Property development and investment HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
Revenue			
External sales or rentals	190,441	21,496	211,937
Segment results	34,901	(115,243)	(80,342)
Interest and dividend income and other unallocated gains			5,673
Unallocated expenses			(9,311)
Share of loss of an associate			(40)
Loss before tax			(84,020)

4. REVENUE, OTHER INCOME AND GAINS, NET

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

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

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

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5. PROFIT/(LOSS) BEFORE TAX

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

6. TAX

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

Hong Kong profits tax

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

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6. TAX (Continued)

PRC corporate income tax

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

PRC land appreciation tax

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

7. DIVIDEND

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

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

8. EARNINGS/(LOSS) PER SHARE

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2009, the Group acquired property, plant and equipment of approximately HK$1,971,000 (unaudited) (six months ended 30 September

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

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

10. PROPERTIES UNDER DEVELOPMENT

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

11. INVESTMENT PROPERTIES UNDER CONSTRUCTION

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

12. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables of the Group are trade receivables of HK$93,634,000 (unaudited) (31 March 2009: HK$98,649,000) and their ageing analysis after credit period is as follows:

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

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13. TRADE AND OTHER PAYABLES

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

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

14. INTEREST-BEARING BANK LOANS

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

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

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15. ISSUED CAPITAL

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

16. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties:

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

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

Note:

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

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16. RELATED PARTY TRANSACTIONS (Continued)

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

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

17. CAPITAL COMMITMENTS

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

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

18. OPERATING LEASE ARRANGEMENTS

(a) As lessee

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

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

18. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessor

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

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

19. CONTINGENT LIABILITIES

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

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

20. COMPARATIVE AMOUNTS

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

Management Discussion and Analysis

DIVIDEND

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

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

CLOSURE OF REGISTER OF MEMBERS

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

BUSINESS REVIEW

Pearl Operations

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

Real Estate Operations

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

As a result of the implementation of the stimulus measures, signs of stabilisation in economic conditions emerge, illustrated by the upward growth trend of quarterly GDPs and fixed asset investments during the first three quarters in 2009. China is well-positioned to maintain economic growth during the current global financial crisis. Our promoting activities for China Pearls and Jewellery Project ("CP&J Project") have also borne fruits, revenue of our Real Estate Operations increased by 51% from HK$21.5 million for the six months ended 30 September 2008 to HK$32.4 million for the six months ended 30 September 2009. We anticipate the performance of real estate sector in the PRC will improve provided that the global economic conditions would not worsen further and that no macroeconomic measures would be taken to restrict the growth in the real estate sector. We continue to hold an optimistic view on the real estate market in China in the medium to longer term.

FINANCIAL REVIEW

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

Revenue and Gross Profit

(i) Pearl Segment

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

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

(ii) Property Segment

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

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

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

Selling and Administrative Expenses (the ''S&A expenses'')

(i) Pearl Segment

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

(ii) Property Segment

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

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

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

Profit/(Loss) attributable to shareholders

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

Liquidity and capital resources

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

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

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

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

PROSPECTS

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

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

Other Information

SHARE OPTION

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

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

				No. of share options			
Date of grant	Exercisable period	Vesting period	Exercise price HK$	Balance as at 1 April 2009	Granted during the period	Exercised during the period	Lapsed during the period
2 May 2006	2 May 2006 to 1 May 2012	Nil	0.253	1,000,000	—	—	—
2 May 2006	2 May 2006 to 1 May 2012	Nil	0.253	1,000,000	—	—	—
2 May 2006	2 May 2006 to 1 May 2012	Nil	0.253	10,000,000	—	—	—
1 September 2009	1 September 2009 to 31 August 2012	Note (3)	0.450	—	8,000,000	—	—
1 September 2009	1 September 2010 to 31 August 2012	Note (4)	0.450	—	10,000,000	—	—
				12,000,000	18,000,000	—	—
2 May 2006	2 May 2006 to 1 May 2012	Nil	0.253	15,000,000	—	—	—
18 September 2006	18 September 2006 to 17 September 2011	Nil	0.233	7,000,000	—	—	—
13 March 2007	1 January 2008 to 12 March 2012	Note (5)	0.500	5,000,000	—	—	—
27 August 2009	27 August 2009 to 26 August 2012	Note (6)	0.397	—	20,750,000	—	—
				27,000,000	20,750,000	—	—
				39,000,000	38,750,000	—	—

Notes:

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

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

(3) 2,500,000 options were vested on the date of grant, vesting period of another 2,500,000 options is from 1 September 2009 to 31 August 2010 and that of the remaining 3,000,000 options is from 1 September 2009 to 31 August 2011.

(4)	Vesting period of 5,000,000 options is from 1 September 2009 to 31 August 2010 and that of the remaining 5,000,000 options is from 1 September 2009 to 31 August 2011.
(5)	Vesting period of these options was from 13 March 2007 to 31 December 2007.
(6)	14,750,000 options were vested on the date of grant, vesting period of 3,000,000 options is from 27 August 2009 to 26 August 2010 and that of the remaining 3,000,000 options is from 27 August 2009 to 26 August 2011.

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

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

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

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were set out below:

(a) Long positions in ordinary shares of the Company

		Number of ordinary shares of HK$0.10 each held			
Name of Director	Capacity	Direct interest	Deemed interest (Note 7)	Total interest	Percentage of the issued share capital of the Company
Mr. Cheng Chung Hing	Beneficial owner and interest of a controlled corporation	136,011,273	494,406,000	630,417,273	51.47%
Mr. Cheng Tai Po	Beneficial owner and interest of a controlled corporation	76,086,180	494,406,000	570,492,180	46.58%

Note 7:

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

(b) Long positions in underlying shares of the Company

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

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

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

Note 8:

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

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

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

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

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

Note 9:

This represented the deemed interest in 494,406,000 shares in the Company held by MSBVI whereby Cafoong together with its wholly owned subsidiaries directly and indirectly holds 53.86% of the ordinary shares and all the preferred shares of MSBVI as at 30 September 2009 which represent in aggregate 69.24% of the voting rights of MSBVI.

Save as disclosed above, as at 30 September 2009, the Company has not been notified of any person (other than Directors or chief executive of the Company) or entity had an interest or a short position in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the six months ended 30 September 2009.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDERS

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

CORPORATE GOVERNANCE PRACTICES

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

According to code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng Chung Hing assumes both roles during the reporting period up to 31 August 2009, the reasons were set out in the Corporate Governance Report contained in the Company's Annual Report for the year of 2008/2009. For the purpose of good corporate governance practice, the Company separated the roles of chairman and chief executive officer with effect from 1 September 2009. After separating the roles of chairman and chief executive officer, and becoming non-executive chairman on 6 October 2009, Mr. Cheng Chung Hing now focuses on the business strategy and direction of the Company, and continues to lead the Board in his new position while the newly appointed chief executive officer has taken up the responsibilities of day-to-day management of the Company's businesses and operations. The separation of roles and division of responsibilities between the chairman and the chief executive officer are now clearly established.

As required by code provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. Pursuant to relevant provisions of the bye-laws (the "Bye-Laws"), any director appointed to fill a casual vacancy shall hold office until the next annual general meeting of the Company and is therefore subject to re-election by the shareholders at that annual general meeting after his or her appointment. All Directors would retire at annual general meeting at least once every three years either by rotation pursuant to the retirement provisions of the Bye-Laws or on voluntary basis. At the annual general meeting of the Company held on 23 July 2009, Ms. Yan Sau Man, Amy and Mr. Lee Kang Bor, Thomas both retired from their office and were re-elected as Directors.

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

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

AUDIT COMMITTEE

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

COMPLIANCE WITH THE MODEL CODE

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

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

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

CHANGE IN INFORMATION OF DIRECTORS

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

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

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

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

Hong Kong, 16 December 2009

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