



## **MAN SANG INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 938)**

### **MAJOR TRANSACTION**

The Board is pleased to announce that on March 8, 2007, the Purchaser (an indirect wholly owned subsidiary of the Company) and the Vendor entered into the Agreement in relation the sale of the Sale Shares and the assignment of the Loan from the Vendor to the Purchaser for a total consideration of HK\$60,000,000. Completion of the Agreement is conditional upon the fulfillment of certain conditions precedent as set out in the paragraph headed "Conditions" below.

As at the date of this announcement, the Purchaser, being an indirect wholly-owned subsidiary of the Company, holds 49% of the issued share capital of the HK Company. Upon Completion, the Company will indirectly be interested in 55% of the issued share capital of the HK Company.

The Acquisition constitutes a major transaction on the part of the Company under Rule 14.06 of the Listing Rules and, is thus, subject to the approval of the Shareholders. Written approval of the Acquisition has been obtained from Man Sang International (B.V.I.) Limited, Mr. Cheng Chung Hing and Mr. Cheng Tai Po, which in aggregate hold approximately 66.98% of the entire issued share capital of the Company as at the date of this announcement. Each of Man Sang International (B.V.I.) Limited and its ultimate beneficial owners, Mr. Cheng Chung Hing and Mr. Cheng Tai Po, is not an interested party in the Acquisition and their interests in the Acquisition are no different from other Shareholders. Therefore, they are not required to abstain from voting if the Company was to convene a general meeting for the approval of the Acquisition. As such, pursuant to Rule 14.44 of the Listing Rules, the written approval provided by Man Sang International (B.V.I.) Limited, Mr. Cheng Chung Hing and Mr. Cheng Tai Po constitutes a valid approval of the Acquisition and the Company will not be required to convene a physical meeting to approve the Acquisition.

A circular containing, amongst other things, further information on the Acquisition will be despatched to the Shareholders within 21 days after the publication of this announcement.

### **THE AGREEMENT**

#### **Background**

On March 8, 2007, the Purchaser (an indirect wholly owned subsidiary of the Company) and the Vendor entered into the Agreement in relation the sale of the Sale Shares and the assignment of the Loan from the Vendor to the Purchaser.

#### **Date**

March 8, 2007

#### **Parties**

- (i) the Purchaser, an indirect wholly-owned subsidiary of the Company; and
- (ii) the Vendor.

The beneficial owner of the Vendor is Mr. Lin Xian Fu. The Directors confirm that to the best of their knowledge, information and belief after having made all reasonable inquiries, the Vendor and its associates (including its beneficial owner) are Independent Third Parties.

## **Interests to be acquired**

Pursuant to the Agreement, the Vendor has agreed to sell the Sale Shares and assign the Loan to the Purchaser.

## **Conditions**

Completion of the Agreement is conditional upon:

- (i) the warranties given by the Vendor remaining true and accurate and not misleading at Completion as given as of the date of the Agreement and as of the Completion Date and as if given at all times between the date of the Agreement and the Completion Date;
- (ii) all necessary consents required to be given by third parties to the Vendor for the consummation by the Vendor of the transactions contemplated under the Agreement having been granted (including any relevant governmental or official authorities), and being in full force and effect, for the sale and purchase of the Sale Shares and the assignment of the Loan and no applicable statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the Sale Shares and the assignment of the Loan after Completion having been proposed, enacted or taken by any governmental or official authority;
- (iii) no bona fide investigation, action, suit, injunction, order or proceedings being in effect, pending or genuinely threatened as of the Completion Date before any court of competent jurisdiction or by any relevant governmental body which seeks to restrain, prohibit, impose limitations or conditions or otherwise challenge the transactions contemplated by the Agreement; and
- (iv) the execution of a written approval by Man Sang International (B.V.I.) Limited, Mr. Cheng Chung Hing and Mr. Cheng Tai Po approving and/or ratifying the Agreement and the transactions contemplated therein including but not limited to the sale and purchase of the Sale Shares and the assignment of the Loan pursuant to Rule 14.44 of the Listing Rules or if required under Rule 14.67(4)(a) of the Listing Rules, the passing of an ordinary resolution by the shareholders of the Company at a special general meeting by way of a poll (if required) to approve this Agreement and the transactions contemplated herein including but not limited to the sale and purchase of the Sale Shares and the assignment of the Loan.

The Purchaser may in its absolute discretion at any time waive in writing any of the conditions set out in paragraphs (i) to (iv) above (or any part thereof) and such waiver may be made subject to such terms and conditions as are determined by the Purchaser. The Purchaser shall not be entitled to exercise such right of waiver in respect of paragraph (iv) above if as a result of such waiver the Purchaser would be in breach of the Listing Rules, the rules or regulations of any relevant governmental, statutory or regulatory authority or agency, or any other person or body, in Hong Kong or Bermuda.

In the event that any of the conditions is not fulfilled or waived prior to the Completion Date, then the Purchaser shall not be bound to proceed with the purchase of the Sale Share and the Loan and the Agreement shall cease to have any effect save in respect of claims arising out of any antecedent breach of the Agreement.

## **Consideration**

The total consideration for the sale of the Sale Shares and the assignment of the Loan is HK\$60,000,000 and shall be payable in cash by the Purchaser on Completion Date.

The Consideration is intended to be funded by internal resources of the Group.

The Consideration was arrived at after arm's length negotiation between the parties to the Agreement. The consideration for (a) the Sale Shares (being the consideration of HK\$49,440,000 net of the Loan as at the date of this announcement) was made with reference to the estimated fair market value of the assets of the HK Company, i.e. CP&J City; and (b) the Loan represents the exact principal amount of the Loan. As the fair market value of CP&J City was arrived at after arm's length negotiation between the Vendor and the Purchaser, the Directors consider that the market value of CP&J City is a fair representation of the consideration for the Sale Shares. A property valuation report of CP&J City will be included in the circular on the Acquisition to be dispatched to the shareholders.

## **Completion**

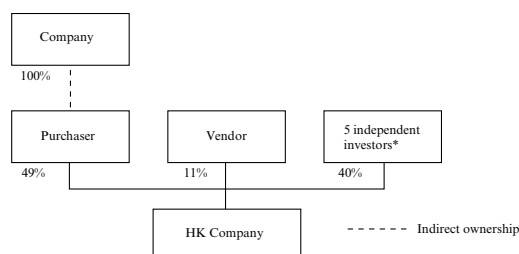
Completion shall take place on the Completion Date.

The Purchaser is a direct wholly-owned subsidiary of the Company. As at the date of this announcement, the Purchaser holds 49% of the issued share capital of the HK Company. The Company in turn is interested in 49% of the issued share capital of the HK Company. The Vendor currently holds 11% of the issued share capital of the HK Company. Upon Completion, the Company and the Vendor will be interested in 55% and 5% of the issued share capital of the HK Company respectively.

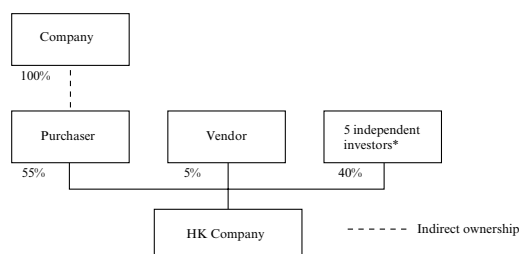
Therefore, upon Completion, the HK Company will become a subsidiary of the Company and the results of the HK Company will be consolidated into the accounts of the Company.

The shareholding structures of the HK Company before and after the Acquisition are as follows:

### Shareholding structure before the Acquisition



### Shareholding structure after the Acquisition



\* The 5 independent investors are Hong Kong East Pearl Group Co., Limited, Grace Pearl (H.K.) Company Limited, Shanshui Pearl Corporation (Hong Kong) Co. Limited, Tears of Angel Pearl (Hong Kong) Co., Limited and Shanxiah Pearl (H.K.) Company Limited, which are all Independent Third Parties.

### INFORMATION ON THE VENDOR

The Vendor is a company established in the British Virgin Islands with limited liability. The beneficial owner of the Vendor is Mr. Lin Xian Fu. It has no business activity save for being beneficially interested in 11% of the issued share capital of the HK Company.

To the best of the knowledge, information and belief of the Directors after having made all reasonable inquiries, the Vendor and its associates (including its beneficial owner) are Independent Third Parties.

### INFORMATION ON THE HK COMPANY

The HK Company is an investment holding company incorporated in Hong Kong with limited liability on 18 January 2006. It has no business activity save for being beneficially interested in 100% equity interest in WOFE which is a wholly-owned foreign enterprise established in the PRC for the purpose of developing and managing a large-scale, multi-purpose and modern international pearl and jewellery centre – CP&J City. The unaudited consolidated net liability of the HK Company amounted to approximately HK\$3,300,000 as at 31 December 2006. The unaudited consolidated net loss of the HK Company was approximately HK\$7,560,000 for the period since the date of incorporation of the HK Company and ended on 31 December 2006. CP&J City is still under construction and development, hence no income or revenue has been generated. Further, shareholders loan and bank loans have been raised by the WOFE to finance the construction of CP&J City. As a result, the HK Company experienced a net loss for the period since the date of incorporation of the HK Company and ended on 31 December 2006 and has a net liability as at 31 December 2006. It is expected that the construction of CP&J City will complete in the last quarter of 2008.

Man Sang Enterprise Ltd., a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire the entire issued share capital of the Purchaser from Mr. Cheung Yip Shun on 10 February 2006 and such acquisition was completed on 15 February 2006. Please refer to the announcement dated 10 February 2006 and circular dated 31 March 2006 issued by the Company for details of such acquisition. The sole asset of the Purchaser is its beneficial interest of holding 49% in the share capital

of the HK Company. Accordingly, the Company, through the Purchaser, is currently indirectly interested in 49% of the issued share capital of the HK Company. Upon completion of the Acquisition, the Company will be indirectly interested in 55% of the issued share capital of the HK Company and HK Company will become a subsidiary of the Company. The financial results and positions of the HK Company will therefore be consolidated into the accounts of the Company in accordance with the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants.

CP&J City is currently being developed into a large-scale, multi-purpose and modern international jewellery centre for trading of pearls and jewellery, the processing, manufacturing, research and development of jewellery while at the same time providing related services including logistics, electronic commerce, exhibition and convention, accommodation, catering and entertainment.

CP&J City is located in Shanxiahua Town, Zhuji Municipal, Zhejiang Province, the PRC with a total site area of 410,166.80 sq.m. Zhuji Municipal is currently one of the largest fresh water pearl nurturing and trading centres in the PRC.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the purchasing, processing, assembling, merchandising, whole sale and distribution of pearls and jewellery products. The Group also holds some properties for investment purpose.

Zhuji Municipal is the largest fresh water pearl nurturing and trading centre in the PRC with a long history of offering a comprehensive range of fresh water pearls and other pearl products. It is expected that the Acquisition will attribute to the future success of the Group as it will not only widen the scope of business of, but also generate satisfactory return to, the Group. The Company expects that satisfactory return will be generated by participating in the CP&J City by expanding geographically, enlarging its customer base and building a global brand name in the industry, although the Company is unable to determine at present stage an expected timetable for such return. Moreover, the Group's properties portfolio will also become more diversified and synergy effects are expected to be generated in the Group's overall pearl business. Since the Group has been engaged in pearl business for years, the Acquisition will enable the Group to gain access to more customers and to become one of the market leaders in pearl business in the future. Thus, to adhere to this business intent, the Directors consider that the Acquisition will enable the Company to consolidate its interests in the HK Company and to facilitate further co-operative opportunities between the Group and other shareholders of the HK Company.

The Directors consider that the terms of the Agreement have been negotiated on an arm's length basis, and are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Acquisition constitutes a major transaction on the part of the Company under Rule 14.06 of the Listing Rules.

Written approval of the Acquisition has been obtained from Man Sang International (B.V.I.) Limited, Mr. Cheng Chung Hing and Mr. Cheng Tai Po, which holds approximately 66.98% of the entire issued share capital of the Company as at the date of this announcement. The entire issued share capital of Man Sang International (B.V.I.) Limited is held by Man Sang Holdings, Inc., the latter being a company whose shares are listed on The American Stock Exchange. Mr. Cheng Chung Hing and Mr. Cheng Tai Po collectively holds approximately 72.50% of the voting rights of Man Sang Holding, Inc.. Each of Man Sang International (B.V.I.) Limited and its ultimate beneficial owners, Mr. Cheng Chung Hing and Mr. Cheng Tai Po, is not an interested party in the Acquisition and their interests in the Acquisition are no different from other shareholders. Therefore, they are not required to abstain from voting if the Company was to convene a general meeting for the approval of the Acquisition. As such, pursuant to Rule 14.44 of the Listing Rules, the written approval provided by Man Sang International (B.V.I.) Limited, Mr. Cheng Chung Hing and Mr. Cheng Tai Po constitutes a valid approval of the Acquisition and the Company will not be required to convene a physical meeting to approve the Acquisition.

A circular containing, amongst other things, further information on the Acquisition will be despatched to the shareholders within 21 days after the publication of this announcement.

## DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“Acquisition”	the acquisition of the Sale Shares and the Loan by the Purchaser under the Agreement
“Agreement”	The conditional share sale and purchase agreement dated March 8, 2007 entered into between the Purchaser and the Vendor in relation to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Man Sang International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	12 April 2007 (or such other date as the parties to the Agreement may agree in writing)
“Consideration”	HK\$60,000,000 being the total consideration payable by the Purchaser to the Vendor for the Acquisition
“CP&J City”	China Pearls and Jewellery City, a large-scale, multi-purpose and modern international pearl and jewellery centre being developed by WOFE
“Director(s)”	director(s) including independent non-executive director(s) of the Company
“Group”	the Company and its subsidiaries
“HK Company”	China Pearls and Jewellery City Holdings Limited, a company incorporated in Hong Kong with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) together with its/their beneficial owner(s) who or which is/are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, are not connected person(s) (as defined in the Listing Rules) to the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the aggregate amount of shareholder’s loan which is due and owing by the HK Company to the Vendor as at Completion which loan is interest free and repayable on demand and shall not be less than the aggregate of US\$1,200,000 and HK\$1,200,000 (which in aggregate is equivalent to approximately HK\$10,560,000)
“Purchaser”	Smartest Man Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly owned subsidiary of the Company
“PRC”	People’s Republic of China
“Sale Shares”	6 shares of HK\$1.00 each in the issued share capital of the HK Company, representing 6% of the total issued share capital of the HK Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m”	square meters

“Vendor”	Tiptop Sky Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“WOFE”	China Pearls and Jewellery International City Co. Ltd, a wholly-owned foreign enterprise established in the PRC and owned as to 100% by the HK Company for the purpose of developing and managing CP&J City
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board  
**Cheng Chung Hing**  
*Chairman*

Hong Kong, March 8, 2007

*As at the date of this announcement, the Board comprises Mr. Cheng Chung Hing, Mr. Cheng Tai Po and Miss Yan Sau Man, Amy as executive directors; Mr. Lee Kang Bor, Thomas, Mr. Kiu Wai Ming, Kenneth and Mr. Lau Chi Wah, Alex as independent non-executive directors.*

*For the purpose of this announcement, unless otherwise specifies, conversion of US dollars into Hong Kong dollars are based on the exchange rate of US\$1 = HK\$7.8.*

Please also refer to the published version of this announcement in The Standard.