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## MAN SANG INTERNATIONAL LIMITED

民生國際有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 938)

### UNAUDITED FINANCIAL RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2008

Website: <http://www.man-sang.com>

In view of the fact that Man Sang Holdings, Inc., the holding company of Man Sang International Limited (the “Company”), is listed on the NYSE Alternext US LLC (formerly named American Stock Exchange), the quarterly and annual results of the Company and its holding company are required to be simultaneously disseminated in Hong Kong and the United States.

The Board of Directors of the Company announces the unaudited financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the third quarter and nine months ended December 31, 2008, together with the unaudited comparative figures for the corresponding period in the year 2007. The results have been reviewed by the Company’s audit committee.

#### THIRD QUARTER RESULTS HIGHLIGHTS

	For the three months ended				For the nine months ended			
	December 31, 2008		2007		December 31, 2008		2007	
	HK\$'000	HK\$'000	HK\$'000	Percentage	HK\$'000	HK\$'000	HK\$'000	Percentage
Revenue	<u>84,451</u>	<u>110,127</u>	(25,676)	(23.3%)	<u>296,388</u>	<u>322,828</u>	(26,440)	(8.2%)
(Loss)/Profit attributable to equity shareholders	<u>(810)</u>	<u>11,403</u>	(12,213)	(107.1%)	<u>(22,479)</u>	<u>49,440</u>	(71,919)	(145.5%)
	<b>HK cents per share</b>							
Basic (loss)/earnings			(1.84) cents	4.40 cents				

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	For the three months ended		For the nine months ended	
		December 31,		December 31,	
		2008	2007	2008	2007
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>84,451</b>	110,127	<b>296,388</b>	322,828
Cost of sales		<u>(51,377)</u>	<u>(74,614)</u>	<u>(174,359)</u>	<u>(211,450)</u>
Gross Profit		<b>33,074</b>	35,513	<b>122,029</b>	111,378
Investment income		<b>3,328</b>	5,412	<b>9,001</b>	14,746
Other operating income	4	<b>3,898</b>	6,237	<b>4,692</b>	6,401
Selling expenses		<b>(4,190)</b>	(1,195)	<b>(17,065)</b>	(6,434)
Administrative expense		<b>(36,175)</b>	(37,200)	<b>(82,448)</b>	(80,731)
Net unrealized (loss)/gain on financial assets at fair value through profit or loss		<b>(625)</b>	215	<b>(5,836)</b>	1,447
Decrease in fair value of investment properties		<u>—</u>	<u>—</u>	<u>(115,083)</u>	<u>—</u>
<b>(Loss)/Profit before taxation</b>		<b>(690)</b>	8,982	<b>(84,710)</b>	46,807
Taxation	5	<u><b>841</b></u>	<u>(278)</u>	<u><b>24,611</b></u>	<u>(4,699)</u>
<b>Net (loss)/profit for the period</b>		<u><b>151</b></u>	<u>8,704</u>	<u><b>(60,099)</b></u>	<u>42,108</u>
<b>(Loss)/Profit attributable to:</b>					
Equity shareholders		<b>(810)</b>	11,403	<b>(22,479)</b>	49,440
Minority interests		<u><b>961</b></u>	<u>(2,699)</u>	<u><b>(37,620)</b></u>	<u>(7,332)</u>
		<u><b>151</b></u>	<u>8,704</u>	<u><b>(60,099)</b></u>	<u>42,108</u>
<b>(Loss)/Earnings per share</b>	6				
Basic				<u><b>(1.84) cents</b></u>	<u>4.40 cents</u>
Diluted				<u><b>N/A</b></u>	<u>4.23 cents</u>

## Notes:

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”), a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HKAS-Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements of the Group for the year ended March 31, 2008.

In the current period, the Group has applied, for the first time, the following new interpretations issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after April 1, 2008.

HK International Financial Reporting Interpretations Committee (“IFRIC”) — Interpretation (“Int”) 12	Service Concession Arrangements
HK (IFRIC) — Int 14	Hong Kong Accounting Standard (“HKAS”) 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations has had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 39 and Hong Kong Financial Reporting Standard (“HKFRS”) 7 (Amendment)	Reclassification of Financial Assets <sup>4</sup>
HKAS 1, HKAS 32, HKAS 39 and HKFRS 7 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>2</sup>
HKFRS 1 and HKAS 27 (Amendment)	Cost of an investment in a subsidiary, jointly controlled entity or associate <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) — Int 2 (Amendment)	Members’ shares in co-operative entities and similar instruments <sup>1</sup>
HK(IFRIC) — Int 13	Customers Loyalty Programmes <sup>4</sup>
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation <sup>3</sup>
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2009.

<sup>2</sup> Effective for annual periods beginning on or after July 1, 2009.

<sup>3</sup> Effective for annual periods beginning on or after October 1, 2008.

<sup>4</sup> Effective for annual periods beginning on or after July 1, 2008.

The Directors of the Company are currently assessing the impact of the above new standards, amendments and interpretations but are not yet in position to state whether they would have material impact on the unaudited condensed consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue 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.

For management purposes, the Group is currently organized into two operating segments — (i) pearls and jewelry, and (ii) property development and investment. The following segments are the basis on which the Group reports its primary segment information:

Pearls and jewelry — Purchasing, processing, assembling, merchandising, wholesale distribution of pearls and jewelry products.  
 Property development and investment — Development, sales and leasing of properties.

Segment information about these businesses is presented below:

#### Income statement for the nine months ended December 31, 2008

	Pearls and Jewelry <i>HK\$'000</i>	Property Development and Investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>			
External sales or rentals	<u>266,845</u>	<u>29,543</u>	<u>296,388</u>
<b>Results</b>			
Segment results	<u>33,900</u>	<u>(110,530)</u>	(76,630)
Unallocated other operating income and investment income			9,001
Unallocated corporate expense			<u>(17,081)</u>
<b>Loss before taxation</b>			<b>(84,710)</b>
Taxation			<u>24,611</u>
<b>Loss for the period</b>			<b><u>(60,099)</u></b>

#### Income statement for the nine months ended December 31, 2007

	Pearls and Jewelry <i>HK\$'000</i>	Property Development and Investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Revenue</b>			
External sales or rentals	<u>318,675</u>	<u>4,153</u>	<u>322,828</u>
<b>Results</b>			
Segment results	<u>45,512</u>	<u>(11,037)</u>	34,475
Unallocated other operating income and investment income			16,858
Unallocated corporate expense			<u>(4,526)</u>
<b>Profit before taxation</b>			46,807
Taxation			<u>(4,699)</u>
<b>Profit for the period</b>			<b><u>42,108</u></b>

#### 4. OTHER OPERATING INCOME

	For the nine months ended December 31,	
	2008	2007
	HK\$'000	HK\$'000
Gain on disposal of leasehold property	2,460	—
Gain on disposal of investment property	—	5,600
Others	<u>2,232</u>	<u>801</u>
	<u><u>4,692</u></u>	<u><u>6,401</u></u>

#### 5. TAXATION

	For the nine months ended December 31,	
	2008	2007
	HK\$'000	HK\$'000
Current income tax:		
Hong Kong Profits Tax	1,850	998
PRC Enterprise Income Tax	—	256
Land Appreciation Tax	2,100	—
Deferred income tax:		
(Credited)/Charged to the current period	<u>(28,561)</u>	<u>3,445</u>
	<u><u>(24,611)</u></u>	<u><u>4,699</u></u>

On March 16, 2007, the People's Republic of China (the "PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued the Implementation Regulations of the New Law which changed the tax rates either from 33% to 25%, or from 15% to 18% for certain subsidiaries from January 1, 2008.

Hong Kong Profits Tax is calculated at a rate of 16.5% (For the nine months ended December 31, 2007: 17.5%) on the estimated assessable profit for the nine months ended December 31, 2008.

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.

#### 6. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for the nine months ended December 31, 2008 is based on the net loss attributable to equity shareholders for the period of HK\$22,479,000 (Net profit attributable to equity shareholders for the nine months ended December 31, 2007: HK\$49,440,000) and on the weighted average number of 1,224,740,000 (For the nine months ended December 31, 2007: 1,123,860,000) shares in issue during the period.

Diluted loss per share for the nine months ended December 31, 2008 is not presented because the Company's outstanding share options are anti-dilutive. Diluted earnings per share for the nine months ended December 31, 2007 was calculated based on the profit for the period of HK\$49,440,000 and on the adjusted weighted average number of 1,168,726,000 shares which was the weighted average number of shares in issue during the period used in the computation of basic earnings per share plus the weighted average number of 44,866,000 shares deemed to be issued at no consideration if all outstanding options had been exercised.

## **7. POST BALANCE SHEET EVENT**

Subsequent to December 31, 2008, the Group entered into a provisional sale and purchase agreement on January 19, 2009 with an independent third party for disposing of an investment property amounting approximately to HK\$14 million. As such, the transaction is scheduled to be completed on or before March 3, 2009.

## **8. COMPARATIVE INFORMATION**

In accordance with the change in the Group's internal financial reporting, the Group has presented the rental income as the Group's revenue. As a result, certain comparative figures of revenue and other operating income has been re-classified to conform with current period's presentation. No material financial impacts are noted for the reclassification.

## **THE THIRD INTERIM DIVIDEND**

The Board of Directors does not recommend the payment of a third interim dividend for the nine months ended December 31, 2008 (For the nine months ended December 31, 2007: HK\$Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

#### *Pearl Operations*

Economic conditions continued to deteriorate in many countries and regions, including the markets in which we conduct our Pearl Operations. We see no sign for recovery in near future. As unfavorable economic conditions continue to challenge the consumer environment, our business, results of operations, financial condition and cash flows will continue to be adversely affected. Our Pearl Operations in Europe have exhibited a relatively satisfactory performance during the first half of 2008. However, based on the prolonged turmoil noted in the financial markets which has adversely affected the real economy, we do not expect to maintain these performance levels in 2009. As a result, we have adopted a more conservative financial management policy to ensure that we maintain adequate credit and financing to fund our operations.

#### *Real Estate Operations*

During the reporting period, due to the macro control policies and austerity measures implemented on the real estate market by the People's Republic of China (the "PRC") Government as well as the material downturn in the global financial market which has resulted in tightened monetary policy in the PRC and worldwide, the sentiment of the PRC real estate market has been adversely affected and become stagnant. At the year end of 2008, the PRC Government has launched various financial stimulating plans to stimulate the domestic demand, together with a series of interest rate cuts to stabilize the economy, and the property industry is one of the industries benefiting from such stimulating plans. The management of the Company has been optimistic about the medium and long term development of the property market in China, as the demand has been driven by long term steady increase in residents' income in China, urbanization, increasing population, and the desire for improvement of living conditions. We have attempted to embrace these challenges with a continued emphasis on enhancing operating efficiency, improving quality of our products and strictly controlled the developments costs of our China Pearls and Jewelry Project ("CP&J Project").

## Financial Review

The Group has two main business segments during the period. One of the business segments is engaging in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the “Pearl Segment”) and another is engaging in development, sales and leasing of properties. (the “Property Segment”).

In March 2007, the Group entered into an agreement to acquire the additional 6% of total issued share capital of China Pearls and Jewellery City Holdings Limited (the “CP&J City”), an associate, and the assignment of the loan, for a consideration of HK\$60.0 million. Upon completion of the acquisition on April 12, 2007, the Group had 55% equity interest in CP&J City, which became a subsidiary of the Company. This transaction has been accounted for using the acquisition method of accounting and the results of CP&J City were consolidated in the Group’s financial statements since April 12, 2007 under Hong Kong Financial Reporting Standards.

### *Revenue and Gross Profit*

#### *(i) Pearl Segment*

Net sales attributable to our Pearl Operations decreased by HK\$51.9 million, or 16.3%, from HK\$318.7 million for the nine months ended December 31, 2007 to HK\$266.8 million for the nine months ended December 31, 2008 due to the deterioration of the United States economy and the occurrence of the global financial turmoil.

Gross profit attributable to our Pearl Operations decreased by HK\$9.7 million, or 9.0%, from HK\$107.2 million for the nine months ended December 31, 2007 to HK\$97.5 million for the nine months ended December 31, 2008. Such decrease was primarily attributable to the decrease in net sales to the United States.

Gross profit margin increased from 33.6% for the nine months ended December 31, 2007 to 36.5% for the nine months ended December 31, 2008. Such increase was primarily due to (a) the implementation of effective cost control measures, (b) continued enhancement of production efficiency; and (c) a shift in our sales focus to higher value jewelry products.

#### *(ii) Property Segment*

For the nine months ended December 31, 2008, the Property Segment recorded a total revenue of HK\$29.5 million (For the nine months ended December 31, 2007: HK\$4.2 million) including the sales of properties in CP&J Project and rental income from the investment properties. For the nine months ended December 31, 2008, sale of properties in CP&J Project was approximately HK\$11.0 million and the gross margin was maintained at above 50%. Sales of properties in CP&J Project had not commenced during the previous nine months ended December 31, 2007.

The increase in rental income of investment properties was primarily attributable to an increase of HK\$13.0 million in rental income attributable to CP&J Project and an increase in rental income of HK\$1.3 million from Man Sang Industrial City as additional units which were originally held for self-use were leased out. Rental income attributable to the CP&J Project has been consolidated since March 2008 which was in line with the inception of the term of rental properties.

### ***Other operating income***

The other operating income mainly contributed from net gain on disposal of a leasehold property for this period and net gain on disposal of an investment property for last period. The Group disposed of a leasehold property amounting to HK\$5.2 million (For the nine months ended December 31, 2007: HK\$25 million). After deducting net asset values of a leasehold property at HK\$2.7 million (For the nine months ended December 31, 2007: HK\$19.4 million), net gain of HK\$2.5 million (For the nine months ended December 31, 2007: HK\$5.6 million) was made.

### ***Selling, General and Administrative Expenses (the “SG&A expenses”)***

#### ***(i) Pearl Segment***

SG&A expenses increased by HK\$7.2 million, or 10.8% from HK\$66.4 million for the nine months ended December 31, 2007 to HK\$73.6 million for the nine months ended December 31, 2008. The increase was mainly due to an increase in allowance for doubtful debts of HK\$3.2 million for the nine months ended December 31, 2008. However, for comparative analysis, if excluding the non-recurrent write-back of allowance for doubtful debts for the nine months ended December 31, 2007, the SG&A expenses could have just slightly increased by HK\$2.2 million, or 3.1%.

As a percentage of revenue, our SG&A expenses increased by 6.8% from 20.8% for the nine months ended December 31, 2007 to 27.6% for the nine months ended December 31, 2008.

#### ***(ii) Property Segment***

SG&A expenses increased by HK\$5.1 million, or 24.5% from HK\$20.8 million for the nine months ended December 31, 2007 to HK\$25.9 million for the nine months ended December 31, 2008. The increase was mainly related to advertisement and promotion activities, fees to relevant professional marketing personnel and expenses on other marketing promotion activities in line with the launch of sales and leasing businesses in CP&J Project.

### ***Net unrealized (loss)/gain on financial assets at fair value through profit or loss***

Under a volatile stock market as affected by the financial turmoil in 2008, net unrealized loss on financial assets (listed equity investments in Hong Kong) amounted to HK\$5.8 million was made for the nine months ended December 31, 2008 against net unrealized gain amounted to HK\$1.4 million for the nine months ended December 31, 2007. Save for this, the Group did not hold any other derivative or structural financial products.

### ***Decrease in fair value of investment properties***

According to the valuation reports dated September 30, 2008 issued by independent professional property valuers, the fair value of investment properties in the CP&J Project decreased by HK\$115.1 million (For the nine months ended December 31, 2007: HK\$Nil).

## ***Taxation***

Taxation for the nine months ended December 31, 2008 consisted of Hong Kong profits tax of HK\$1.9 million (For the nine months ended December 31, 2007: HK\$1.0 million), PRC Enterprise income tax of HK\$Nil (For the nine months ended December 31, 2007: HK\$0.3 million), land appreciation tax of HK\$2.1 million (For the nine months ended December 31, 2007: HK\$Nil) arising from the sales of properties in CP&J Project and reversal of deferred taxation of HK\$28.6 million (Provision of deferred taxation for the nine months ended December 31, 2007: HK\$3.4 million).

## ***Loss attributable to equity shareholders***

The Group recorded a loss attributable to equity shareholders of HK\$22.5 million for the nine months ended December 31, 2008 against profit attributable to equity shareholders of HK\$49.4 million for the nine months ended December 31, 2007. The net loss was mainly due to (a) the impairment loss incurred on fair value of investment properties, (b) the increase in SG&A expenses of HK\$12.3 million which mainly related to an increase in allowance for doubtful debts of HK\$3.2 million as well as advertisement and promotion activities, fees to relevant professional marketing personnel and expenses on other marketing promotion activities in line with the launch of sales and leasing businesses in CP&J Project, (c) net unrealized loss on financial assets (listed equity investments in Hong Kong) of HK\$5.8 million and (d) net gain on disposal of leasehold property for the nine months ended December 31, 2008.

## **PROSPECTS**

The adverse impact of the financial crisis continued to affect the global economy and the economic slowdown had adversely affected the demand in the Group's major markets. While the outcome of the financial crisis is impossible to predict, the impact of the decrease in consumer confidence and demand in pearls and jewelry market is expected to continue. The Group's business performance in 2009 will inevitably be adversely affected.

In order to minimise the impact from the slowdown in market demand, the Group will continue to focus on enhancing operational efficiency, implementing tighter cost and credit controls and to strengthening receivables collection controls. As for the property segment, the Group will closely monitor the development in the macroeconomic austerity measures adopted in China to adjust our sales and marketing and development plans for the CP&J Project so as to preserve our ability to rebound when the PRC Government adjusts and uplifts the austerity measures.

## **LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2008, the Group's total shareholders' funds amounted to HK\$1,172.8 million, compared with HK\$1,221.3 million at March 31, 2008. At December 31, 2008, the Group had working capital of HK\$403.1 million (At March 31, 2008: HK\$516.4 million). With sufficient 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\$482.3 million (At March 31, 2008: HK\$587.6 million) accounted for 49% (At March 31, 2008: 54%) of Group's total current assets at December 31, 2008. Current ratio slightly decreased from 1.9 at March 31, 2008 to 1.7 at December 31, 2008.

At December 31, 2008, the Group's total secured bank loans were HK\$192.1 million (At March 31, 2008: HK\$199.8 million) which was mainly related to CP&J Project. Gearing ratio at December 31, 2008, calculated on the basis of total bank borrowings to total equity, was 0.16 (At March 31, 2008: 0.16). The Group had available bank facilities of HK\$422.1 million (At March 31, 2008: HK\$414.8 million) with various banks at December 31, 2008, of which HK\$192.1 million (At March 31, 2008: HK\$199.8 million) has been drawn and HK\$230.0 million (At March 31, 2008: HK\$215.0 million) remained unutilized at December 31, 2008. The Group does not currently use any derivatives to manage our interest rate risk. At December 31, 2008, the Group has pledged the carrying amount of assets including leasehold land and buildings, investment properties, completed properties held for sales and properties under development, amounted to HK\$711.0 million (At March 31, 2008: HK\$1,077.7 million) to banks to secure the bank borrowings.

For the period ended December 31, 2008, most of the Group's transactions were denominated in either US dollars or Hong Kong dollars. Since the Hong Kong dollar remained "pegged" to the US dollar at a consistent rate, in this respect, the Group was not exposed to any significant foreign exchange risk, and as a result of which, the Group has not adopted any hedging measures.

#### **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 nine months ended December 31, 2008.

#### **PUBLICATION OF RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2008**

This result announcement for the nine months ended December 31, 2008 is published on the respective websites of the Company at [www.man-sang.com](http://www.man-sang.com) and Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under "Latest Listed Company Information".

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

Hong Kong, February 12, 2009

*As at the date hereof, the Board comprises Mr. Cheng Chung Hing, Mr. Cheng Tai Po, Miss Yan Sau Man, Amy, Ms. Hung Yuen Yee, Flavia as executive directors; Mr. Lee Kang Bor, Thomas, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex as independent non-executive directors.*

\* *For identification purposes only*