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**MAN SANG INTERNATIONAL LIMITED**

**民生國際有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 0938)**

**ANNOUNCEMENT OF THE ANNUAL RESULTS  
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2009**

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

	<b>For the year ended March 31,</b>		<b>Decrease</b>	
	<b>2009</b>	<b>2008</b>	<b>HK\$'000</b>	<b>Percentage</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>		
Revenue	<b><u>359,734</u></b>	<b><u>640,493</u></b>	280,759	43.8%
(Loss)/Profit attributable to equity shareholders	<b><u>(72,336)</u></b>	<b><u>232,375</u></b>	304,711	131.1%
	<b>HK cents per share</b>			
Basic (loss)/earnings	<b>(5.91) cents</b>	20.22 cents		
Proposed final dividends	—	3.00 cents		
Book closing dates:	July 21, 2009 to July 23, 2009			

## RESULTS

The Board of Directors (the “Directors” or the “Board”) of Man Sang International Limited (the “Company”) is pleased to announce consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended March 31, 2009, together with the comparative figures for the previous year, as follows:

### Consolidated Income Statement

For the year ended March 31

	Note	2009 HK\$'000	2008 HK\$'000
<b>Revenue</b>	3	<b>359,734</b>	640,493
Cost of sales		<u>(226,422)</u>	<u>(363,483)</u>
Gross profit		<b>133,312</b>	277,010
Investment income	4	<b>10,374</b>	18,233
Other operating income	5	<b>4,467</b>	6,854
Selling expenses		<b>(21,043)</b>	(24,172)
Administrative expenses		<b>(122,316)</b>	(95,600)
Other operating expenses	6	<b>(3,470)</b>	(47,295)
(Decrease)/increase in fair value of investment properties		<b>(181,638)</b>	454,914
Net unrealized (loss)/gain on financial assets at fair value through profit or loss		<b>(5,342)</b>	613
Share of loss of an associate		<u><b>(53)</b></u>	<u>(7)</u>
<b>(Loss)/Profit before taxation</b>	7	<b>(185,709)</b>	590,550
Taxation	8	<u><b>50,765</b></u>	<u>(186,921)</u>
<b>(Loss)/Profit for the year</b>		<u><b>(134,944)</b></u>	<u>403,629</u>
<b>(Loss)/Profit attributable to:</b>			
Equity shareholders		<b>(72,336)</b>	232,375
Minority interests		<u><b>(62,608)</b></u>	<u>171,254</u>
		<u><b>(134,944)</b></u>	<u>403,629</u>
<b>Dividends</b>	9	<u><b>—</b></u>	<u>36,742</u>
<b>(Loss)/Earnings per share</b>	10		
Basic		<u><b>(5.91) cents</b></u>	<u>20.22 cents</u>
Diluted		<u><b>N/A</b></u>	<u>19.53 cents</u>

**Consolidated Balance Sheet***As at March 31*

	<i>Note</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		<b>845,384</b>	952,867
Properties under development		<b>201,328</b>	123,768
Property, plant and equipment		<b>40,158</b>	121,530
Prepaid land lease payments		<b>27,776</b>	30,502
Interest in an associate		<b>52</b>	105
Deferred tax assets		<b>—</b>	175
		<b><u>1,114,698</u></b>	<u>1,228,947</u>
<b>Current assets</b>			
Inventories		<b>41,942</b>	49,395
Completed properties held for sale		<b>179,619</b>	182,426
Trade and other receivables	11	<b>226,553</b>	253,146
Financial assets at fair value through profit or loss		<b>18,619</b>	5,411
Tax receivable		<b>3,479</b>	5,172
Restricted cash		<b>17,000</b>	—
Cash and cash equivalents		<b><u>462,766</u></b>	<u>587,602</u>
		<b><u>949,978</u></b>	<u>1,083,152</u>
<b>Current liabilities</b>			
Trade and other payables	12	<b>439,456</b>	462,233
Taxation		<b>68,507</b>	71,266
Bank borrowings (secured)-current portion		<b><u>90,400</u></b>	<u>33,300</u>
		<b><u>598,363</u></b>	<u>566,799</u>
<b>Net current assets</b>		<b><u>351,615</u></b>	<u>516,353</u>
<b>Total assets less current liabilities</b>		<b><u>1,466,313</u></b>	<u>1,745,300</u>

	<i>Note</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Due to an immediate holding company		—	2,352
Deferred tax liabilities		<b>102,192</b>	150,807
Bank borrowings (secured)		<b>101,700</b>	166,500
		<u><b>203,892</b></u>	<u>319,659</u>
<b>Net assets</b>		<u><b>1,262,421</b></u>	<u>1,425,641</u>
<b>Capital and reserves</b>			
Share capital		<b>122,474</b>	122,474
Reserves		<b>991,254</b>	1,062,057
Proposed final dividend		—	36,742
		<u><b>991,254</b></u>	<u>1,098,799</u>
<b>Total equity attributable to equity shareholders</b>		<u><b>1,113,728</b></u>	<u>1,221,273</u>
<b>Minority interests</b>		<u><b>148,693</b></u>	<u>204,368</u>
<b>Total equity</b>	13	<u><b>1,262,421</b></u>	<u>1,425,641</u>

Notes:

## 1. BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with all applicable 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 issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on April 1, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK (IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK (IFRIC) — Int 12	Service Concession Arrangements
HK (IFRIC) — Int 14	HKAS 19 — The Limited on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new and revised HKFRS did not result in significant changes in the Group’s accounting policies and had no significant financial impact on the Group’s financial statements. Accordingly, no prior period adjustment is required.

## 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 year and (ii) the aggregate of gross proceeds from the sale of properties during the year and (iii) the net amounts received and receivable in respect of leasing of investment properties during the year.

	<b>2009</b>	2008
	<i>HK\$’000</i>	<i>HK\$’000</i>
Sales of pearls and jewelry	<b>316,703</b>	405,444
Sales of properties	<b>16,435</b>	228,247
Rental income	<b>26,596</b>	6,802
	<b><u>359,734</u></b>	<u>640,493</u>

### 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Business segments

For management purposes, the Group is currently organized into two operating segments — (i) pearls and jewelry, and (ii) property development and investment. These 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 year ended March 31, 2009*

	<b>Pearls and jewelry HK\$'000</b>	<b>Property development and investment HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Revenue</b>			
External sales or rentals	<u>316,703</u>	<u>43,031</u>	<u>359,734</u>
<b>Results</b>			
Segment results	<u>11,779</u>	<u>(196,589)</u>	(184,810)
Unallocated other operating income and investment income			14,841
Unallocated corporate expenses			<u>(15,740)</u>
<b>Loss before taxation</b>			(185,709)
Taxation			<u>50,765</u>
<b>Loss for the year</b>			<u><u>(134,944)</u></u>

*Income statement for the year ended March 31, 2008*

	<b>Pearls and jewelry HK\$'000</b>	<b>Property development and investment HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Revenue</b>			
External sales or rentals	<u>405,444</u>	<u>235,049</u>	<u>640,493</u>
<b>Results</b>			
Segment results	<u>50,817</u>	<u>528,874</u>	579,691
Unallocated other operating income and investment income			18,923
Unallocated corporate expense			<u>(8,064)</u>
<b>Profit before taxation</b>			590,550
Taxation			<u>(186,921)</u>
<b>Profit for the year</b>			<u><u>403,629</u></u>

#### 4. INVESTMENT INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest income on financial assets stated at amortized cost	9,729	17,297
Dividends received from financial assets at fair value through profit or loss	645	251
Gain on disposals of financial assets at fair value through profit or loss	<u>—</u>	<u>685</u>
	<u><b>10,374</b></u>	<u><b>18,233</b></u>

#### 5. OTHER OPERATING INCOME

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Gain on disposals of property, plant and equipment	1,537	30
Gain on disposal of an investment property	—	5,600
Revaluation gain on buildings	240	77
Government grants	1,590	—
Others	<u>1,100</u>	<u>1,147</u>
	<u><b>4,467</b></u>	<u><b>6,854</b></u>

#### 6. OTHER OPERATING EXPENSES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Impairment loss on goodwill	—	47,295
Loss on disposals of financial assets at fair value through profit or loss	<u>3,470</u>	<u>—</u>
	<u><b>3,470</b></u>	<u><b>47,295</b></u>

#### 7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit before taxation has been arrived at after charging:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Finance costs:		
Interest on bank borrowings wholly repayable within five years	16,726	16,608
Less: Amount capitalized	<u>(16,726)</u>	<u>(16,608)</u>
	<u><b>—</b></u>	<u><b>—</b></u>
Depreciation of property, plant and equipment	9,813	9,474
Amortization of prepaid land lease payments	743	764
Loss on disposals of investment properties	<u>2,337</u>	<u>—</u>

## 8. TAXATION

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current income tax:		
Hong Kong Profits tax	1,720	1,515
PRC Enterprise income tax	80	14,874
Land appreciation tax	<u>3,216</u>	<u>53,257</u>
	<u>5,016</u>	<u>69,646</u>
(Over)/Under provision in prior year:		
Hong Kong	—	1,153
PRC	<u>(5,363)</u>	<u>—</u>
	<u>(5,363)</u>	<u>1,153</u>
Deferred income tax:		
Charge to current year	263	118,905
Credit to current year	(51,538)	(3,673)
Attributable to change in tax rate	<u>857</u>	<u>890</u>
	<u>(50,418)</u>	<u>116,122</u>
	<u>(50,765)</u>	<u>186,921</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 Implementation Regulations of the New Law which changed the tax rates either from 33% to 25%, or from 15% to 25% progressively from January 1, 2008. Income taxes for the subsidiaries in the PRC are calculated at rates of 18% and 25% (2008: 15% and 25%) of the estimated assessable profit for the year.

Hong Kong Profits Tax is calculated at a rate of 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

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.

## 9. DIVIDENDS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Proposed final dividend — HK\$Nil cents per share (2008: HK3 cents per share)	<u>—</u>	<u>36,742</u>

No dividend has been declared for the year ended March 31, 2009 (2008: HK\$36,742,000).

## 10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss/earnings per share is based on the loss attributable to equity shareholders for the year of HK\$72,336,000 (2008: profit attributable to equity shareholders of HK\$232,375,000) and on the weighted average number of 1,224,740,000 shares (2008: 1,149,011,000 shares) in issue during the year.

No diluted loss per share has been presented for the year ended March 31, 2009 because the impact of an exercise of the share options was anti-dilutive. Diluted earnings per share for the year ended March 31, 2008 is calculated based on the profit attributable to equity shareholders for the year of HK\$232,375,000 and on the adjusted weighted average number of 1,189,772,000 shares which is the weighted average number of shares in issue during the year used in the computation of basic earnings per share plus the weighted average number of 40,761,000 shares deemed to be issued at no consideration if all outstanding options had been exercised.

## 11. TRADE AND OTHER RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables, net of allowance for doubtful debts	98,649	165,436
Receivable from sale of financial assets contracts ( <i>Note a</i> )	39,608	—
Due from an immediate holding company ( <i>Note b</i> )	3,362	—
Deposits, prepayments and other debtors	<u>84,934</u>	<u>87,710</u>
	<u><u>226,553</u></u>	<u><u>253,146</u></u>

*Note:*

- a) The full amount of receivable was received immediately after the year ended March 31, 2009.
- b) The amount due is unsecured, interest-free and has no fixed repayment terms.

Included in trade and other receivables of the Group are trade receivables of HK\$98,649,000 (2008: HK\$165,436,000) and their aged analysis after credit period is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0–60 days	52,842	106,569
61–120 days	9,564	17,980
> 120 days	<u>36,243</u>	<u>40,887</u>
	<u><u>98,649</u></u>	<u><u>165,436</u></u>

## 12. TRADE AND OTHER PAYABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade payables	109,964	123,928
Loans from minority shareholders	114,300	114,300
Accrued charges and other creditors	<u>215,192</u>	<u>224,005</u>
	<u><u>439,456</u></u>	<u><u>462,233</u></u>

Included in trade and other payables of the Group are trade payables of HK\$109,964,000 (2008: HK\$123,928,000) and their aged analysis after credit period is as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0–60 days	98,744	119,697
61–120 days	992	3,548
> 120 days	<u>10,228</u>	<u>683</u>
	<u><u>109,964</u></u>	<u><u>123,928</u></u>

### 13. RESERVE

	Share capital	Share premium	Other non- distributable reserve (Note a)	Share option reserve	Other property revaluation reserve	Translation reserve	General reserve (Note b)	Retained profits (Note c)	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group											
Balance at April 1, 2007	100,374	51,517	1,801	4,378	36,467	7,080	—	477,427	679,044	—	679,044
Revaluation gain on leasehold land and building	—	—	—	—	60,551	—	—	—	60,551	43,248	103,799
Deferred tax liability arising from revaluation gain of leasehold land and building	—	—	—	—	(19,308)	—	—	—	(19,308)	(14,272)	(33,580)
Effect of change in tax rates for deferred tax	—	—	—	—	4,165	—	—	—	4,165	3,524	7,689
Exchange difference arising from translation of financial statements of overseas operation	—	—	—	—	—	19,833	—	—	19,833	10,656	30,489
Net income recognized directly in equity	—	—	—	—	45,408	19,833	—	—	65,241	43,156	108,397
Profit for the year	—	—	—	—	—	—	—	232,375	232,375	171,254	403,629
Total recognized income and expenses for the year	—	—	—	—	45,408	19,833	—	232,375	297,616	214,410	512,026
Share of accumulated losses of the associate upon acquisition of subsidiaries	—	—	—	—	—	—	—	(10,935)	(10,935)	(10,042)	(20,977)
Release on depreciation of land and buildings	—	—	—	—	(884)	—	—	884	—	—	—
Issue of new shares	22,100	268,270	—	—	—	—	—	—	290,370	—	290,370
Share-based payments	—	—	—	1,290	—	—	—	—	1,290	—	1,290
Dividends paid	—	—	—	—	—	—	(36,112)	—	(36,112)	—	(36,112)
Transferred to retained profits upon disposal of the properties	—	—	—	—	(4,039)	—	—	4,039	—	—	—
Balance at March 31, 2008	122,474	319,787	1,801	5,668	76,952	26,913	(36,112)	703,790	1,221,273	204,368	1,425,641

### 13. RESERVE (CONTINUED)

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other non- distributable reserve <i>(Note a)</i> <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Other property revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	General reserve <i>(Note b)</i> <i>HK\$'000</i>	Retained profits <i>(Note c)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
The Group											
Balance at April 1, 2008	122,474	319,787	1,801	5,668	76,952	26,913	(36,112)	703,790	1,221,273	204,368	1,425,641
Revaluation gain on leasehold land and building	—	—	—	—	(9,938)	—	—	—	(9,938)	—	(9,938)
Deferred tax liability arising from revaluation gain of leasehold land and buildings	—	—	—	—	2,111	—	—	—	2,111	—	2,111
Effect of changes in tax rates for deferred tax	—	—	—	—	(133)	—	—	—	(133)	—	(133)
Exchange differences arising from translation of financial statements of overseas operation	—	—	—	—	(590)	10,083	—	—	9,493	6,933	16,426
Net income recognized directly in equity	—	—	—	—	(8,550)	10,083	—	—	1,533	6,933	8,466
Loss for the year	—	—	—	—	—	—	—	(72,336)	(72,336)	(62,608)	(134,944)
Total recognized income and expenses for the year	—	—	—	—	(8,550)	10,083	—	(72,336)	(70,803)	(55,675)	(126,478)
Release on depreciation of land and buildings	—	—	—	—	(1,163)	—	—	1,163	—	—	—
Dividends paid	—	—	—	—	—	—	(36,742)	—	(36,742)	—	(36,742)
Transferred to retained profits upon disposal of the properties	—	—	—	—	(756)	—	—	756	—	—	—
Balance at March 31, 2009	122,474	319,787	1,801	5,668	66,483	36,996	(72,854)	633,373	1,113,728	148,693	1,262,421

*Note:*

- (a) Other non-distributable reserve was arising from the transactions under corporate reorganization in 1997.
- (b) General reserve represents the dividends paid out of the contributed surplus by the Company.
- (c) The Group's retained profits included an amount of HK\$11,818,000 (2008: HK\$9,852,000) reserved by the subsidiaries in the People's Republic of China ("PRC") in accordance with the relevant PRC regulations, this reserve is only distributable in the event of liquidation of these PRC subsidiaries.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended March 31, 2009 (2008: HK3 cents per share).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from July 21, 2009 to July 23, 2009, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend the annual general meeting, all instruments of transfers together with the relevant share certificate must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on July 20, 2009.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting ("AGM") will be held on Thursday, July 23, 2009. The Notice of AGM will be published on the website of the Company ([www.man-sang.com](http://www.man-sang.com)) and the designated issuer website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), and despatched to shareholders accordingly.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

#### *Pearl Operations*

Economic conditions have continued to deteriorate in the core markets of our Pearl Operations, and may remain depressed for the foreseeable future, which represents a challenge to our businesses. As a result, we have been adopting more conservative policies since last year, including shortening the credit terms we provide to our customers and closely monitoring our customer's payment history, to ensure that we maintain adequate liquidity to fund our operations and to position for any further deterioration in the global markets. Nonetheless, as our Pearl Operations are geographically diverse, we believe that we will be able to take advantage of any early signs of economic recovery in our core markets.

#### *Real Estate Operations*

During the fiscal year 2009, conditions in the People's Republic of China (the "PRC") real estate market deteriorated significantly. The deterioration was largely due to macroeconomic policies and austerity measures implemented by the PRC Government with respect to the PRC real estate market, as well as a material downturn in the global financial market, which has resulted in tightened monetary policy in the PRC and worldwide. As the economic crisis has accelerated in the United States and Europe, the PRC Government has announced various fiscal stimulus plans to boost up the domestic economy and sentiment towards the real estate market. These plans include: the promotion of additional lending by the leading China's domestic banks; reductions in housing down payment requirements and lowering the mortgage rates; and exemptions on the real estate sales tax to certain homeowners. However, as the level of consumers' confidence has yet to improve, we anticipate that corporations and individuals will continue to postpone their buying decision and/or cut the budget on the capital expenditures, which will adversely affect the sales and leasing of our properties.

Under the current global economic environment, we have and will continue to strictly adopt a prudent operational and financial discipline in the execution of our business strategies and development plan for our China Pearls and Jewelry Project (“CP&J Project”) and to review such strategy based on the overall sentiment and pace of development in the PRC property market.

As regards the non-legally binding memorandum of understanding that we entered into in June 2008 in respect of a possible investment in constructing and developing a logistics and trade center in the north-eastern region of the PRC, given the prevailing uncertainties noted in the economy and the real estate market in the PRC, we have ceased to pursue further with this investment opportunity for the time being.

## **Financial Review**

The Group has two main business segments during the year. One of the business segments is engaged in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the “Pearl Segment”) while the other is engaged 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\$88.7 million or 21.9% from HK\$405.4 million in the fiscal year 2008 to HK\$316.7 million in the fiscal year 2009 due to the decrease in market demand worldwide, particularly in the United States and Asian countries, including Hong Kong, and the continued global financial and credit crisis and the contraction of economic activities around the world.

Gross profit decreased by HK\$21.7 million, or 17.4%, from HK\$124.5 million in fiscal year 2008 to HK\$102.8 million in fiscal year 2009. Such decrease was primarily attributable to the decrease in net sales to the United States and the Asia markets. Gross profit margin attributable to our Pearl Segment increased from 30.7% for the fiscal year 2008 to 32.5% for the fiscal year 2009. The increase in gross profit margin was primarily due to our continued (a) implementation of effective cost controls, (b) enhancement of production efficiency due to the acquisition of new machinery and (c) shift in our focus to sales of higher value products.

#### *(ii) Property Segment*

In fiscal year 2009, the Property Segment recorded a total revenue of HK\$43.0 million (2008: HK\$235.1 million) including the sales of properties in CP&J Project and rental income from the investment properties. In fiscal year 2009, sale of properties in CP&J Project was approximately HK\$16.4 million (2008: HK\$228.3 million) and the gross margin was maintained at above 50%. The sales of properties and leasing business in CP&J Project was first launched in the fourth quarter of fiscal year 2008.

Sales income decreased by HK\$211.9 million, or 92.8%, from HK\$228.3 million in fiscal year 2008 to HK\$16.4 million in fiscal year 2009. The significant decrease was due to the macro control policies and austerity measures implemented on real estate market by the PRC Government as well as the material downturn in the global financial and credit market which discouraged corporations and individuals to invest in the property market.

Rental income amounting to HK\$19.8 million (2008: HK\$1.3 million) and HK\$6.8 million (2008: HK\$5.5 million) were made by the CP&J Project and other properties in Hong Kong and the PRC respectively.

The increase in rental income of investment properties was primarily attributable to an increase of HK\$18.5 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. Rental income in CP&J Project was recognized at full year amount in fiscal year 2009 while only the fourth quarter amount was recognized in fiscal year 2008.

### ***Selling, Administrative and Other Operating Expenses (the “S&A expenses”)***

#### *(i) Pearl Segment*

S&A expenses increased by HK\$12.4 million, or 15.0% from HK\$82.4 million in fiscal year 2008 to HK\$94.8 million in the fiscal year 2009. The increase was mainly due to an increase in provision for doubtful debt of HK\$6.7 million due to an increase in default risk on receivables due from customers and loss on disposal of financial assets (listed equity investment in Hong Kong) of HK\$3.5 million in fiscal year 2009 under the current downturn economic conditions.

#### *(ii) Property Segment*

S&A expenses decreased by HK\$32.7 million, or 38.6% from HK\$84.7 million in fiscal year 2008 to HK\$52.0 million in fiscal year 2009. The provision for doubtful debts of HK\$20.7 million was made in fiscal year 2009 against the impairment loss of goodwill of HK\$47.3 million in the subsidiary company, China Pearls and Jewellery City Holdings Limited (the “CP&J City”) in fiscal year 2008 and the reduction in advertising and promotion expenses by HK\$6.0 million, or 46.2% from HK\$13.0 million in fiscal year 2008 to HK\$7.0 million in fiscal year 2009 contributed to the decrease.

### ***Taxation***

#### *(i) Pearl Segment*

Taxation decreased by HK\$7.6 million from tax expense of HK\$6.6 million in fiscal year 2008 to tax credit of HK\$1.0 million in fiscal year 2009, which was primarily due to a decrease in taxable income and provision on obsolete stock made in fiscal year 2009.

#### *(ii) Property Segment*

Taxation in fiscal year 2009 consisted of income tax credit of HK\$5.3 million (2008: tax expenses of HK\$14.6 million), land appreciation tax expenses of HK\$3.2 million (2008: HK\$53.2 million) arising from the sales of properties and deferred taxation credit of HK\$47.7 million (2008: deferred taxation expenses of HK\$112.5 million) arising from the revaluation of the investment properties.

The income tax credit, decrease in land appreciation tax and deferred taxation credit were mainly due to the allowance of doubtful debts made, decrease in sales of properties and revaluation loss of the investment properties in respect of CP&J Project respectively.

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

The other operating income mainly contributed by net gain on disposal of one of the Group's leasehold property in fiscal year 2009 and net gain on disposal of an investment property in fiscal year 2008. The Group disposed of a leasehold property amounting to HK\$5.2 million (2008: HK\$25 million). After deducting net asset value of a leasehold property at HK\$2.7 million (2008: HK\$19.4 million), net gain of HK\$2.5 million (2008: HK\$5.6 million) was made.

### ***(Decrease)/Increase in fair values of investment properties***

According to the valuation as at March 31, 2009 prepared by independent professional property valuers, the fair values of our investment properties located in the CP&J Project and other properties in Hong Kong and the PRC were decreased by HK\$180.6 million (2008: increased by HK\$448.9 million) and HK\$1.0 million (2008: increased by HK\$6.0 million), respectively.

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

Under a volatile stock market caused by the financial turmoil during the year, net unrealized loss on financial assets (listed equity investments in Hong Kong) amounted to HK\$5.3 million was made in fiscal year 2009 against net unrealized gain amounted to HK\$0.6 million in fiscal year 2008. Save for this, the Group did not hold any other derivative or structural financial products as at the date hereof.

### ***Loss/(Profit) attributable to equity shareholders***

The Group recorded a loss attributable to equity shareholders of HK\$72.3 million in fiscal year 2009 against profit attributable to equity shareholders of HK\$232.4 million in fiscal year 2008. The net loss was mainly due to the impairment loss incurred on fair value of investment properties of HK\$181.6 million, provision for doubtful debts of HK\$27.4 million and net unrealized loss on financial assets (listed equity investments in Hong Kong) of HK\$5.3 million in fiscal year 2009.

### ***Investment properties***

At March 31, 2009, the total carrying values of investment properties held by the Group are stated at fair value. The carrying values of Market Centre of the CP&J Project and other properties in Hong Kong and the PRC are HK\$710.5 million (2008: HK\$869.4 million) and HK\$134.9 million (2008: HK\$83.5 million) respectively. An investment property in Hong Kong of HK\$62.6 million was reclassified from the leasehold buildings in fiscal year 2009. At March 31, 2009, the Group achieved a targeted occupancy rate of 18% in the CP&J Project's market centre.

### ***Liquidity and capital resources***

At March 31, 2009, the Group's total shareholders' funds amounted to HK\$1,113.7 million (2008: HK\$1,221.3 million). At March 31, 2009, the Group had working capital of HK\$351.6 million (2008: HK\$516.4 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\$462.8 million (2008: HK\$587.6 million) and accounted for 49% (2008: 54%) of Group's total current assets at March 31, 2009. Current ratio slightly decreased from 1.9 at March 31, 2008 to 1.6 at March 31, 2009.

At March 31, 2009, the Group's total secured bank loans were HK\$192.1 million (2008: HK\$199.8 million) which was mainly related to CP&J Project. Gearing ratio at March 31, 2009, calculated on the basis of total bank borrowings to total equity, was 0.17 (2008: 0.16).

The maturity profile of the Group's total borrowings is set out as follows:

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable:		
Within 1 year	<b>90,400</b>	33,300
More than 1 year but not exceeding 2 years	<b>101,700</b>	66,600
More than 2 years but not exceeding 5 years	<u>—</u>	<u>99,900</u>
	<b><u>192,100</u></b>	<b><u>199,800</u></b>

At March 31, 2009, the Group had available bank facilities of HK\$392.1 million (2008: HK\$414.8 million) with various banks of which HK\$192.1 million (2008: HK\$199.8 million) has been drawn and HK\$200.0 million (2008: HK\$215.0 million) remained unutilized. The Group does not currently use any derivatives to manage our interest rate risk. At March 31, 2009, the Group has pledged the carrying amount of assets including restricted cash, leasehold land and buildings, investment properties, completed properties held for sales and properties under development, amounted to HK\$649.8 million (2008: HK\$741.5 million) to banks to secure the bank borrowings.

For the year ended March 31, 2009, most of the Group's transactions were denominated in either US dollars or Hong Kong dollars. Since the Hong Kong dollar remain "pegged" to the US dollars 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.

#### ***Current assets and current liabilities***

At March 31, 2009, current assets amounted to HK\$950.0 million (2008: HK\$1,083.2 million) and current liabilities amounted to HK\$598.4 million (2008: HK\$566.8 million). Current ratio decreased to 1.6 at March 31, 2009 from 1.9 at March 31, 2008.

The amount of cash and cash equivalents decreased by HK\$124.8 million, or 21.2% from HK\$587.6 million at March 31, 2008 to HK\$462.8 million at March 31, 2009. The allowance for doubtful debts of HK\$27.5 million during the fiscal year 2009 (2008: Write-back of allowance for doubtful debts of HK\$5.3 million) primarily caused the decrease in trade and other receivables, amounting to HK\$226.6 million at year ended March 31, 2009 (2008: HK\$253.1 million).

#### ***Major customers and suppliers***

For the year ended March 31, 2009, the aggregate amount of sales from the five largest customers accounted for 42% (2008: 27%) of the total revenue of the Group, and the aggregate amount of purchases from the five largest suppliers accounted for 50% (2008: 57%) of the total purchases of the Group.

### ***Contingent liabilities***

During the year of review, the Company issued corporate guarantees to banks in respect of general banking facilities granted to its subsidiaries. No banking facilities with corporate guarantee have been utilized by subsidiaries at March 31, 2009.

In August 2007, the Group entered into a mortgage collaboration agreement with a PRC bank pursuant to which the Group agreed to indemnify the bank for any failure on the part of purchasers of properties at CP&J Project to repay outstanding loans on properties for which the Group had not yet obtained certificates of title and delivered such certificates to the bank as collateral. In February 2009, the Group obtained all certificates of title for the purchased properties subject to the mortgage collaboration agreement, which the Group will deliver to the bank following the completion of certain administrative procedures to formally transfer title to purchasers of these properties. As of March 31, 2009, the loans for which we had provided such indemnification totaled HK\$52.2 million (2008: HK\$28.2 million).

Save as disclosed above, the Group had no other significant contingent liabilities at March 31, 2009 (2008: HK\$Nil).

### ***Treasury policy***

During the year, the Group had no derivative contracts to hedge against foreign exchange fluctuations. The fluctuation of the Renminbi will not be considered significant to our operations.

At March 31, 2009, we borrowed HK\$192.1 million (2008: HK\$199.8 million) under floating rate credit facilities. The Group does not currently use any derivatives to manage our interest rate risk.

### ***Human Resources***

At March 31, 2009, the Group had 987 (2008: 1,143) employees, of whom 78 (2008: 81) employees were based in Hong Kong. For the year ended March 31, 2009, the total staff cost, including directors' emoluments, share-based payments and provident funds, was approximately HK\$65.4 million (2008: HK\$57.8 million). Employees were remunerated on the basis of their performance and experience. Remuneration package, including salary and year-end discretionary bonus, was determined with reference to market conditions and individual performance. During the year, all Hong Kong employees have participated in the Mandatory Provident Fund Scheme.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transaction by the Directors. Having made specific enquiries with all the Directors, the Company confirmed that all the Directors had complied with the required standard as set out in the Model Code throughout the year ended March 31, 2009.

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the Independent Non-executive Directors and is satisfied of their independence.

## **AUDIT COMMITTEE**

The audit committee, which comprises three Independent Non-executive Directors of the Company, has reviewed with the management in conjunction with the Auditor, the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended March 31, 2009.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended March 31, 2009.

## **CORPORATE GOVERNANCE**

Maintaining high standards of corporate governance has always been one of the Company's priorities. This is achieved through an effective, timely disclosure of information by the Board and a proactive investor relations programme. The Board believed that the Company has, during the year, complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except that (i) Independent Non-executive Directors have not been appointed for any specific terms, but they are subject to retirement and re-election in each annual general meeting in accordance with the Bye-Laws of the Company; and (ii) Mr. Cheng Chung Hing assumes both the roles of the Chairman and Chief Executive Officer of the Group.

## **PROSPECTS**

According to the National Bureau of Statistics of China, the PRC's gross domestic product ("GDP") growth slowed from 13% in 2007 to 9% in 2008. The latest figure for first quarter of 2009 was 6.1%, which was 2.9% lower than the corresponding period in 2008 as, among other factors, the prolonged financial crisis has significantly reduced overseas demand for Chinese goods. The financial crisis, should it continue, may further hinder the pace of economic growth in the PRC which would have a negative effect on our sales, pricing of our goods and our gross profit margin, whereby our overall results will be affected.

We anticipate that the majority of markets where we operate will continue to be adversely affected by the financial crisis throughout the first half of fiscal year 2010. We will continue to monitor the effects of the financial crisis in the markets where we operate and to adjust our business and financial strategies to ensure that we maintain the flexibility to take advantage of any early signs of recovery in our core markets of our Pearl Operations as well as Real Estate Operations.

On behalf of the Board, I wish to take this opportunity to thank all of our employees for their continued commitment and hardworking throughout the year as well as to express our appreciation and respect for our shareholders for their trust and support amidst this difficult time. Regardless of the external environment, we are confident that our Company is well-prepared to meet the challenges ahead and to uphold the long-term interests of our shareholders.

## **BOARD OF DIRECTORS**

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

By Order of the Board  
**MAN SANG INTERNATIONAL LIMITED**  
**Cheng Chung Hing**  
*Chairman*

Hong Kong, June 11, 2009

*Remarks:*

*This results announcement is published on the website of the Company at [www.man-sang.com](http://www.man-sang.com) and the Stock Exchange's website at [www.hkexnews.com.hk](http://www.hkexnews.com.hk).*

\* *For identification purpose only*