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## MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

### UNAUDITED FINANCIAL RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2009

The board of directors (the “Board”) of Man Sang International Limited (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 31 December 2009, together with the unaudited comparative figures for the corresponding period in the year 2008. The results have been reviewed by the Company’s audit committee.

#### THIRD QUARTER RESULTS HIGHLIGHTS

	For the three months ended 31 December				For the nine months ended 31 December			
	2009 HK\$'000	2008 HK\$'000	Increase/(Decrease) HK\$'000	Percentage	2009 HK\$'000	2008 HK\$'000	Increase/(Decrease) HK\$'000	Percentage
Revenue	<u>105,642</u>	<u>84,451</u>	21,191	25.1%	<u>254,244</u>	<u>296,388</u>	(42,144)	(14.2%)
Profit/(Loss) attributable to equity shareholders	<u>(5,311)</u>	<u>(810)</u>	(4,501)	N/A	<u>14,855</u>	<u>(22,479)</u>	37,334	N/A
	<b>HK cents per share</b>							
Basic earnings/(loss)			<b>1.21 cents</b>				(1.84 cents)	

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the three and nine months ended 31 December 2009

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>105,642</b>	84,451	<b>254,244</b>	296,388
Cost of sales		<b>(49,338)</b>	(51,377)	<b>(144,241)</b>	(174,359)
Gross profit		<b>56,304</b>	33,074	<b>110,003</b>	122,029
Other income and gains, net	4	<b>7,766</b>	7,219	<b>16,649</b>	13,686
Selling and distribution costs expenses		<b>(4,967)</b>	(4,190)	<b>(11,817)</b>	(17,065)
Administrative expenses		<b>(22,005)</b>	(20,508)	<b>(65,127)</b>	(64,595)
Other operating expenses		<b>(57,169)</b>	(15,707)	<b>(51,501)</b>	(17,853)
Net unrealised loss on financial assets at fair value through profit or loss		<b>(42)</b>	(625)	<b>(1,438)</b>	(5,836)
Fair value loss on investment properties		—	—	—	(115,083)
Finance costs		<b>(690)</b>	—	<b>(945)</b>	—
Share of profit of an associate		<b>7</b>	47	<b>56</b>	7
<b>Loss before tax</b>		<b>(20,796)</b>	(690)	<b>(4,120)</b>	(84,710)
Tax	5	<b>(6,173)</b>	841	<b>(8,250)</b>	24,611
<b>Profit/(Loss) for the period</b>		<b>(26,969)</b>	151	<b>(12,370)</b>	(60,099)
<b>Attributable to:</b>					
Shareholders of the Company		<b>(5,311)</b>	(810)	<b>14,855</b>	(22,479)
Minority interests		<b>(21,658)</b>	961	<b>(27,225)</b>	(37,620)
		<b>(26,969)</b>	151	<b>(12,370)</b>	(60,099)
Dividend — interim	6	—	—	<b>36,742</b>	—
<b>Earnings/(Loss) per share per share attributable to shareholders of the Company</b>	7				
— Basic				<b>HK1.21 cents</b>	(HK1.84 cents)
— Diluted				<b>HK1.20 cents</b>	N/A

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the three and nine months ended 31 December 2009*

	For the three months ended 31 December		For the nine months ended 31 December	
	2009 <i>HK\$'000</i> (unaudited)	2008 <i>HK\$'000</i> (unaudited)	2009 <i>HK\$'000</i> (unaudited)	2008 <i>HK\$'000</i> (unaudited)
<b>Profit/(Loss) for the period</b>	<b>(26,969)</b>	151	<b>(12,370)</b>	(60,099)
Other comprehensive income/(loss):				
Exchange difference on translation of foreign operations	<b>(84)</b>	(6,545)	<b>(132)</b>	17,896
Change in deferred tax liability of property revaluation arising from tax rate change	<u>—</u>	<u>—</u>	<u>—</u>	<u>(238)</u>
Other comprehensive income/(loss) for the period, net of tax	<u><b>(84)</b></u>	<u>(6,545)</u>	<u><b>(132)</b></u>	<u>17,658</u>
Total comprehensive loss for the period, net of tax	<u><b>(27,053)</b></u>	<u>(6,394)</u>	<u><b>(12,502)</b></u>	<u>(42,441)</u>
Attributable to:				
Shareholders of the Company	<b>(5,395)</b>	(4,958)	<b>14,717</b>	(11,736)
Minority interests	<u><b>(21,658)</b></u>	<u>(1,436)</u>	<u><b>(27,219)</b></u>	<u>(30,705)</u>
	<u><b>(27,053)</b></u>	<u>(6,394)</u>	<u><b>(12,502)</b></u>	<u>(42,441)</u>

Notes:

## 1. BASIS OF PREPARATION

The unaudited consolidated financial results have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Int”)) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

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 consolidated financial results.

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 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.

### 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 segment. Summary details of the reportable operating segments are as follows:

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

The following tables present revenues and results of the Group's reportable operating segments for the nine months ended 31 December 2009 and 2008, respectively.

<b>2009</b>	<b>Pearls and jewelry HK\$'000 (unaudited)</b>	<b>Property development and investment HK\$'000 (unaudited)</b>	<b>Consolidated HK\$'000 (unaudited)</b>
<b>Revenue</b>			
External sales or rentals	<u>200,733</u>	<u>53,511</u>	<u>254,244</u>
<b>Segment results</b>	<u>33,363</u>	<u>(37,049)</u>	(3,686)
Interest and dividend income and other unallocated gains			9,188
Unallocated expenses			(8,733)
Finance costs			(945)
Share of profit of an associate			<u>56</u>
<b>Loss before tax</b>			<u>(4,120)</u>

<b>2008</b>	<b>Pearls and jewelry HK\$'000 (unaudited)</b>	<b>Property development and investment HK\$'000 (unaudited)</b>	<b>Consolidated HK\$'000 (unaudited)</b>
<b>Revenue</b>			
External sales or rentals	<u>266,845</u>	<u>29,543</u>	<u>296,388</u>
<b>Segment results</b>	<u>33,900</u>	<u>(110,058)</u>	(76,158)
Interest and dividend income and other unallocated gains			9,001
Unallocated expenses			(17,560)
Finance costs			—
Share of profit of an associate			<u>7</u>
<b>Loss before tax</b>			<u>(84,710)</u>

#### 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.



## Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (nine months ended 31 December 2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

## 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.

## 6. DIVIDEND

	For the nine months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
2009 third interim dividend (three months ended 31 December 2008: Nil)	—	—
2009 second interim dividend of HK3.00 cents (six months ended 30 September 2008: Nil) per ordinary share	<u>36,742</u>	<u>—</u>

The Board approved an interim dividend of HK3.00 cents per ordinary share for the six months ended 30 September 2009, which was paid on 20 January 2010.

## 7. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share for the nine months ended 31 December 2009 is based on the profit attributable to shareholders of the Company of approximately HK\$14,855,000 (unaudited) (nine months ended 31 December 2008: loss of HK\$22,479,000), and the weighted average number of 1,224,787,480 (nine months ended 31 December 2008: 1,224,740,207) ordinary shares in issue during the nine months ended 31 December 2009.

The calculation of diluted earnings per share for the nine months ended 31 December 2009 is based on the profit attributable to shareholders of the Company of approximately HK\$14,855,000 (unaudited) and 1,242,532,206 ordinary shares, which represented the weighted average of 1,224,787,480 ordinary shares in issue during the nine months ended 31 December 2009, and the weighted average number of 17,744,726 ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the nine months ended 31 December 2009.

A dilutive loss per share amount for the nine months ended 31 December 2008 is not presented as all the share options had an anti-dilutive effect on the basic loss per share for that period.

## 8. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current period's presentation.

## **THE THIRD INTERIM DIVIDEND**

The Board does not recommend the payment of a third interim dividend for the three months ended 31 December 2009 (For the three months ended 31 December 2008: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

#### *Pearl Operation*

The global economic downturn has badly hit the Hong Kong export trades. Merchandise exports, including re-exports, decreased by 12.6% in 2009, as compared to 2008. Though there are signs that demand for exports slowly recovers, as indicated by the respective year on year increases of 1.3% and 9.2% in merchandise exports for November 2009 and December 2009, consumer confidence overseas for luxury products is still weak. Unemployment rates remain very high in the United States and Europe, where our major accounts operate. The recent concern on Greece's ability to service its sovereign debts, and international attention on situations in other Southern Europe countries which run massive budget deficits and huge debt burdens may have negative impact on economic recovery in Europe. We anticipate the economies in the United States and Europe will take some time to recover. Customers for products of our Pearl Operation remain cautious replenishing their inventory level. With the adverse business environment for Pearl Operation, we will continue to monitor development in the markets where we operate and to adopt appropriate business and financial management policies to capture business growth opportunities.

#### *Real Estate Operation*

The fiscal stimulus programs initiated by the Chinese government creating additional liquidity of RMB4,000 billion have produced exciting results. China's gross domestic product ("GDP"), according to the National Bureau of Statistics of China, grew by 8.7% in 2009. China's economy is on course of stabilization and recovery, and is well-positioned to maintain economic growth. Economic priority of China in 2010 has been set to maintain the continuity, flexibility and stability of the current macroeconomic policies.

Our promoting activities for China Pearls and Jewelry Project ("CP&J Project") have borne fruits. Bulk-purchase strategy was adopted to stimulate the demand of the customers and has increased our sales income. Revenue of our Real Estate Operation increased by 81% from HK\$29.5 million for the nine months ended 31 December 2008 to HK\$53.5 million for the nine months ended 31 December 2009. Notwithstanding the adverse segmental results of Real Estate Operation caused by the need to provide for impairment loss of HK\$56.9 million from sale of properties in CP&J Project, we anticipate the performance of our Real Estate Operations in the PRC will improve provided that the global economic conditions would not worsen further and that the current measures taken to restrain the rapid growth of house prices in China in 2009 would not seriously dampen demand for houses. We maintain a conservatively optimistic view on the real estate market in China in the medium to longer term since China's annual economic growth rate is not expected to fall below 8% in 2010 and beyond.

## 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\$66.1 million, or 24.8%, from HK\$266.8 million for the nine months ended 31 December 2008 to HK\$200.7 million for the nine months ended 31 December 2009 due to the decrease in market demand worldwide, as a result of the global economic contraction and recession.

Gross profit decreased by HK\$11.5 million or 11.8%, from HK\$97.5 million for the nine months ended 31 December 2008 to HK\$86.0 million for the nine months ended 31 December 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 36.5% for the nine months ended 31 December 2008 to 42.8% for the nine months ended 31 December 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 nine months ended 31 December 2009, the Property Segment recorded a total revenue of HK\$53.5 million (nine months ended 31 December 2008: HK\$29.5 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 significantly from HK\$11.0 million for the nine months ended 31 December 2008 to HK\$34.2 million for the nine months ended 31 December 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 71.0% for the nine months ended 31 December 2008 to 41.3% for the nine months ended 31 December 2009.

Rental income slightly increased by HK\$0.8 million, or 4.3%, from HK\$18.5 million for the nine months ended 31 December 2008 to HK\$19.3 million for the nine months ended 31 December 2009. Rental income amounting to HK\$14.1 million (nine months ended 31 December 2008: HK\$13.0 million) and HK\$5.2 million (nine months ended 31 December 2008: HK\$5.5 million) were recorded from the properties of CP&J Project and other properties in Hong Kong and the PRC respectively.

Pre-sale of residential units in a newly constructed building in the phase one development of CP&J Project commenced during this quarter and the sale result is satisfactory. Since the building is still at the final stage of construction, sales income has not yet been recognised in this quarter. The Company will continue to monitor closely the development in CP & J Project and provide updates in future releases of financial results.

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

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

S&A expenses decreased by HK\$13.6 million, or 18.5% from HK\$73.6 million for the nine months ended 31 December 2008 to HK\$60.0 million for the nine months ended 31 December 2009. The decrease was primarily due to a write-back of allowance for doubtful debts of HK\$0.4 million in the current period against a provision made of HK\$10.6 million for the nine months ended 31 December 2008.

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

S&A expenses increased by HK\$42.5 million, or 164.1% from HK\$25.9 million for the nine months ended 31 December 2008 to HK\$68.4 million for the nine months ended 31 December 2009. The increase was mainly the result of impairment loss on deferred cost of sales of HK\$56.9 million arising from the sale contracts of certain properties of CP&J Project for uncertainty of the fulfilment of the contract terms by the purchasers. Such increase was partially offset by a decrease of HK\$5.0 million in advertising and promotion costs associated with CP&J Project, a write-back of allowance for doubtful debts of HK\$5.7 million, a decrease of HK\$1.4 million in traveling expenses and a decrease of HK\$2.2 million in depreciation expenses due to a reallocation of a property to the category of investment properties.

### ***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 nine months ended 31 December 2009 against net unrealised loss amounted to HK\$5.8 million for the nine months ended 31 December 2008. The Group did not hold any derivative or structured financial products as at the date hereof.

### ***Profit/(Loss) attributable to shareholders of the Company***

The Group recorded a profit attributable to shareholders of the Company of HK\$14.9 million for the nine months ended 31 December 2009 against a loss attributable to shareholders of HK\$22.5 million for the nine months ended 31 December 2008. The significant loss for the nine months ended 31 December 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.

## **PROSPECTS**

Following the introduction of stimulation measures initiated by governments of the major economies, global economic contraction began to ease. There are signs of recovery in some economic sectors in the fourth quarter of 2009. The economy in China has taken the lead in the recovery; based on recently released data, China's GDP growth in 2009 was 8.7%.

However, there are still uncertainties in the near future, including the persistent high unemployment rates in the United States and Europe, the latest news on Dubai World and the sovereign debts in Greece, the slow recovery of foreign demand for goods produced in China,

and the central bank of China raising the reserve requirement ratio of domestic banks to control credit growth. All these factors have impacts on 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 trends and developments. We are equipped to carry out timely and appropriate business and financial management policies to capture any opportunities created by the improvement of the economy.

## **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 financial results of the Group for the nine months ended 31 December 2009 and has recommended their adoption by the Board.

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

Hong Kong, 26 February 2010

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Cheng Tai Po (Deputy Chairman), Mr. Lee Kang Bor, Thomas (Chief Executive Officer) and Miss Yan Sau Man, Amy; one non-executive Director, namely Mr. Cheng Chung Hing (Chairman) and three independent non-executive Directors, namely Mr. Fung Yat Sang, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex.*