# MAN SANG INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 938)**

## ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008

| | For the year ended March 31, | | Increase | |
|---|---|---|---|---|
| | **2008** | 2007 | | |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *Percentage* |
| Revenue | **640,493** | 402,504 | 237,989 | 59% |
| Profit attributable to equity shareholders | **232,375** | 59,951 | 172,424 | 288% |
| | **HK cents per share** | | | |
| Basic earnings | **20.22** | 5.99 | | |
| Proposed final dividend | **3.00** | 3.00 | | |

Book close dates for final dividend: July 30, 2008 to August 1, 2008

Payable date for final dividend: On or about August 11, 2008

## 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 (hereinafter collectively referred to as the "Group") for the year ended March 31, 2008, together with the comparative figures for the previous year, as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended March 31*

| | *Note* | **2008** *HK$'000* | 2007 *HK$'000* |
|---|---|---|---|
| **Revenue** | *3* | **640,493** | 402,504 |
| Cost of sales | | **(363,483)** | (285,580) |
| Gross profit | | **277,010** | 116,924 |
| Investment income | *4* | **18,233** | 10,825 |
| Other operating income | *5* | **6,854** | 24,025 |
| Selling expenses | | **(24,172)** | (8,479) |
| Administrative expenses | | **(95,600)** | (78,815) |
| Other operating expenses | *6* | **(47,302)** | — |
| Increase in fair value of investment properties | | **454,914** | 1,957 |
| Net unrealized gain on financial assets at fair value through profit or loss | | **613** | 728 |
| **Profit before taxation** | *7* | **590,550** | 67,165 |
| Taxation | *8* | **(186,921)** | (7,214) |
| **Profit for the year** | | **403,629** | 59,951 |
| **Attributable to:** | | | |
| Equity shareholders | | **232,375** | 59,951 |
| Minority interests | | **171,254** | — |
| | | **403,629** | 59,951 |
| **Dividend** | *9* | **36,742** | 36,112 |
| **Earnings per share** | *10* | | |
| Basic | | **20.22 cents** | 5.99 cents |
| Diluted | | **19.53 cents** | 5.88 cents |

**CONSOLIDATED BALANCE SHEET**
*As at March 31*

| | Note | **2008** **HK$'000** | 2007 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **952,867** | 96,820 |
| Properties under development | | **123,768** | — |
| Property, plant and equipment | | **121,530** | 109,104 |
| Prepaid land lease payments | | **30,502** | 31,266 |
| Interest in an associate | | **105** | 86,587 |
| Deferred tax assets | | **175** | 4,071 |
| | | **1,228,947** | 327,848 |
| **Current assets** | | | |
| Inventories | | **49,395** | 46,195 |
| Completed properties for sale | | **182,426** | — |
| Trade and other receivables | *11* | **253,146** | 69,237 |
| Financial assets at fair value through profit or loss | | **5,411** | 8,350 |
| Tax receivable | | **5,172** | 1,620 |
| Cash and cash equivalents | | **587,602** | 296,426 |
| | | **1,083,152** | 421,828 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **462,233** | 39,872 |
| Taxation | | **71,266** | 154 |
| Bank borrowings (secured) — current portion | | **33,300** | — |
| | | **566,799** | 40,026 |
| **Net current assets** | | **516,353** | 381,802 |
| **Total assets less current liabilities** | | **1,745,300** | 709,650 |
| **Non-current liabilities** | | | |
| Due to an immediate holding company | | **2,352** | 17,916 |
| Deferred tax liabilities | | **150,807** | 12,690 |
| Bank borrowings (secured) | | **166,500** | — |
| | | **319,659** | 30,606 |
| **Net assets** | | **1,425,641** | 679,044 |

| | Note | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | | **122,474** | 100,374 |
| Reserves | | **1,062,057** | 542,558 |
| Proposed final dividend | | **36,742** | 36,112 |
| | | **1,098,799** | 578,670 |
| **Total equity attributable to equity shareholders** | | **1,221,273** | 679,044 |
| **Minority interests** | | **204,368** | — |
| **Total equity** | *13* | **1,425,641** | 679,044 |

*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 standards, amendment and interpretations ("new HKFRSs") issued by the HKICPA that are relevant to the Group and effective for accounting periods beginning on or after April 1, 2007.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC) — Int 8 | Scope of HKFRS 2 |
| HK(IFRIC) — Int 10 | Interim Financial Reporting and Impairment |
| HK(IFRIC) — Int 11 | HKFRS 2 — Group and Treasury Share Transactions |

The adoption of these new and amended HKFRSs did not result in significant changes to the Group's accounting policies but give rise to additional disclosures. The first time application of these new HKFRSs has not resulted any prior-year adjustments on cash flows, net income or balance sheet items. Accordingly, no adjustments on prior years are 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 gross amounts received and receivable in respect of leasing of investment properties during the year.

**Business segments**

For management purposes, the Group is currently organized into two operating segments — (i) pearls and jewelry, (ii) and 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, 2008**

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

**Income statement for the year ended March 31, 2007**

| | Pearls and jewelry *HK$'000* | Property development and investment *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|
| **Revenue** | | | |
| External sales or rentals | | | |
| — included in revenue | 398,279 | 4,225 | 402,504 |
| — included in other operating income *(Note)* | 22,461 | — | 22,461 |
| | 420,740 | 4,225 | 424,965 |
| **Results** | | | |
| Segment results | 62,164 | (101) | 62,063 |
| Unallocated other operating income and investment income | | | 13,562 |
| Unallocated corporate expense | | | (8,460) |
| **Profit before taxation** | | | 67,165 |
| Taxation | | | (7,214) |
| **Profit for the year** | | | 59,951 |

*Note:* During the year, the directors considered the market conditions and decided to withdraw from certain categories of products. As such, the Group disposed of all inventories relating to this category of products for a total of HK$22,461,000. These inventories had been fully written down in the previous years.

## 4. INVESTMENT INCOME

| | **2008** ***HK$'000*** | 2007 *HK$'000* |
|---|---|---|
| Interest income on financial assets stated at amortised cost | **17,297** | 8,989 |
| Dividends received from financial assets at fair value through profit or loss | **251** | 369 |
| Gain on disposals of financial assets at fair value through profit or loss | **685** | 1,467 |
| | **18,233** | 10,825 |

## 5. OTHER OPERATING INCOME

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sale of obsolete inventories *(disclosed in Note 3)* | **—** | 22,461 |
| Gain on disposals of property, plant and equipment | **30** | 183 |
| Gain on disposal of an investment property | **5,600** | — |
| Revaluation gain on buildings | **77** | 182 |
| Others | **1,147** | 1,199 |
| | **6,854** | 24,025 |

## 6. OTHER OPERATING EXPENSES

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Impairment loss on goodwill | **47,295** | — |
| Share of loss of an associate | **7** | — |
| | **47,302** | — |

## 7. PROFIT BEFORE TAXATION

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation has been arrived at after charging: | | |
| Finance costs: | | |
| Interest on bank borrowings wholly repayable within five years | **16,608** | — |
| Less: Amount capitalised | **(16,608)** | — |
| | — | — |
| Depreciation of property, plant and equipment | **9,474** | 7,017 |
| Amortization of prepaid land lease payments | **764** | 764 |
| Loss on disposals of property, plant and equipment | **—** | 399 |

## 8. TAXATION

| | 2008 | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current income tax: | | |
| Hong Kong Profits tax | **1,515** | 4,438 |
| PRC Enterprise income tax | **14,874** | 258 |
| Land appreciation tax | **53,257** | — |
| | **69,646** | 4,696 |
| Under provision in prior year: | | |
| Hong Kong | **1,153** | 10 |
| PRC | **—** | 461 |
| | **1,153** | 471 |
| Deferred income tax: | | |
| Current year | **116,122** | 2,047 |
| | **186,921** | 7,214 |

On March 16, 2007, the PRC promulgated the Law of the People's Republic of China 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 17.5% of the estimated assessable profit for both years.

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. DIVIDEND

| | 2008 | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Proposed final dividend — HK3 cents per share (2007: HK3 cents) | **36,742** | 36,112 |

A final dividend of HK3 cents (2007: HK3 cents) per share has been recommended by the directors after the balance sheet date and is subject to approval by the shareholders at the forthcoming annual general meeting.

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders for the year of HK$232,375,000 (2007: HK$59,951,000) and on the weighted average number of 1,149,011,000 (2007: 1,001,233,000) shares in issue during the year.

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 (2007: HK$59,951,000) and on the adjusted weighted average number of 1,189,772,000 shares (2007: 1,019,602,000 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 (2007: 18,369,000 shares) deemed to be issued at no consideration if all outstanding options had been exercised.

## 11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of HK$165,436,000 (2007: HK$56,921,000) and their aging analysis after credit period is as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 60 days | **106,569** | 55,927 |
| 61 – 120 days | **17,980** | 994 |
| > 120 days | **40,887** | — |
| | **165,436** | 56,921 |

## 12. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$123,928,000 (2007: HK$19,776,000) and their aging analysis after credit period is as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 60 days | **119,697** | 19,309 |
| 61 – 120 days | **3,548** | 418 |
| > 120 days | **683** | 49 |
| | **123,928** | 19,776 |

## 13. CAPITAL AND RESERVES

| | Share capital *HK$'000* | Share premium *HK$'000* | Other non-distributable reserve *HK$'000* | Share option reserve *HK$'000* | Other property revaluation reserve *HK$'000* | Translation reserve *HK$'000* | Retained profits *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|---|
| The Group | | | | | | | | |
| Balance at April 1, 2006 | 100,074 | 50,841 | 1,801 | — | 33,751 | 6,265 | 415,693 | 608,425 |
| Revaluation gain on leasehold land and buildings | — | — | — | — | 4,583 | — | — | 4,583 |
| Deferred tax liabilities arising from revaluation gain of leasehold land and buildings | — | — | — | — | (806) | — | — | (806) |
| Exchange differences arising from translation of financial statements of overseas operations | — | — | — | — | — | 815 | — | 815 |
| Net income recognized directly in equity | — | — | — | — | 3,777 | 815 | — | 4,592 |
| Profit for the year | — | — | — | — | — | — | 59,951 | 59,951 |
| Total recognized income and expenses for the year | — | — | — | — | 3,777 | 815 | 59,951 | 64,543 |
| Release on depreciation of leasehold land and buildings | — | — | — | — | (1,061) | — | 1,061 | — |
| Issue of new shares upon exercise of share options | 300 | 676 | — | (217) | — | — | — | 759 |
| Share options granted | — | — | — | 5,317 | — | — | — | 5,317 |
| Share options lapsed | — | — | — | (722) | — | — | 722 | — |
| Balance at March 31, 2007 | 100,374 | 51,517 | 1,801 | 4,378 | 36,467 | 7,080 | 477,427 | 679,044 |

| | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital *HK$'000* | Share premium *HK$'000* | Other non-distributable reserve *(Note a)* *HK$'000* | Share option reserve *HK$'000* | Other property revaluation reserve *HK$'000* | Translation reserve *HK$'000* | General reserve *(Note b)* *HK$'000* | Retained profits *(Note c)* *HK$'000* | Total *HK$'000* | Minority interests *HK$'000* | Total equity *HK$'000* |
| 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 | — | — | — | — | 64,414 | — | — | — | 64,414 | 43,248 | 107,662 |
| Deferred tax liability arising from revaluation gain on leasehold land and buildings | — | — | — | — | (19,308) | — | — | — | (19,308) | (14,272) | (33,580) |
| Effect of changes in tax rates for deferred tax | — | — | — | — | 4,165 | — | — | — | 4,165 | 3,524 | 7,689 |
| Exchange differences arising from translation of financial statements of overseas operation | — | — | — | — | — | 19,833 | — | — | 19,833 | 6,267 | 26,100 |
| Net income recognised directly in equity | — | — | — | — | 49,271 | 19,833 | — | — | 69,104 | 38,767 | 107,871 |
| Profit for the year | — | — | — | — | — | — | — | 232,375 | 232,375 | 171,254 | 403,629 |
| Total recognised income and expenses for the year | — | — | — | — | 49,271 | 19,833 | — | 232,375 | 301,479 | 210,021 | 511,500 |
| Share of accumulated losses of the associate upon acquisition of subsidiaries | — | — | — | — | — | — | — | (10,935) | (10,935) | — | (10,935) |
| Release on depreciation of land and buildings | — | — | — | — | (884) | — | — | 884 | — | — | — |
| Acquisition of subsidiaries | — | — | — | — | (3,863) | — | — | — | (3,863) | (5,653) | (9,516) |
| Issue of new shares | 22,100 | 268,270 | — | — | — | — | — | — | 290,370 | — | 290,370 |
| Share-based payments | — | — | — | 1,290 | — | — | — | — | 1,290 | — | 1,290 |
| Dividend 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 |

*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$9,852,000 (2007: HK$9,852,000) reserved by the subsidiaries in the People's Republic of China (the "PRC") in accordance with the relevant PRC regulations, this reserve is only distributable in the event of liquidation of these PRC subsidiaries.

## FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK3.00 cents per share (2007: HK3.00 cents) for the year ended March 31, 2008.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from July 30, 2008 to August 1, 2008, both days inclusive, during which period no transfer of shares will be effected. To qualify for the proposed final dividend, all instruments of transfers together with the relevant share certificates 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, Wanchai, Hong Kong for registration not later than 4:00 p.m. on July 29, 2008.

## ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") will be held on Friday, August 1, 2008. The Notice of AGM will be published on the website of the Company (www.man-sang.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk), and despatched to shareholders around early July 2008.

## BUSINESS REVIEW

Emerging weaknesses relating to recent developments in the subprime lending market in the United States and the impact of such developments on the United States economy may threaten market conditions in the United States and globally. Despite negative developments in the subprime lending market, we expect to meet expected growth estimates for the year. We are diversified geographically and well-positioned to react to fluctuating market conditions. We therefore expect to maintain steady growth in our Pearls and Jewelry segment.

Upon reviewing the performance of the Phase One Market Centre of the China Pearls and Jewelry Project ("CP&J Project"), many of the potential purchasers have signed up contracts for their preferred units. Market feedback has also met our expectations. In this regard, the Company is taking a positive view on the contributions of the CP&J Project.

The People's Republic of China (the "PRC") economy continued its rapid growth in 2007, continuing the pattern of double-digit growth in Gross Domestic Product of the past 5 years, which increased by approximately RMB2.4 trillion, or 11%, from approximately RMB21.1 trillion in 2006 to approximately RMB23.5 trillion in 2007.

In response to concerns about China's high growth rate in certain economic sectors, the PRC government has recently introduced a number of macroeconomic measures which are designed to tighten monetary control and slow rapid economic growth of the PRC's economy in certain sectors to a more sustainable level by, *inter alia*, curbing such sectors, including the property market. Despite the introduction of these measures to slow economic growth to a more manageable level, we expect our property development and investment segment to remain one of our core businesses and to continue to contribute to our sustainable growth. Further, we do not believe the introduction of these measures will adversely impact the CP&J Project as this project involves the integration of numerous business sectors outside of real estate developments, including trading, exhibition, manufacturing and processing, business services and supporting facilities. Construction of the Phase One Market Centre of the CP&J Project was completed in March 2008. Despite the measures and restrictions implemented by the government to control direct foreign investments in the real estate sector, the property sector remained active with rising transaction volume and rent levels due to the support of strong economic growth, appreciation of Renminbi and improving results of foreign-invested enterprises in the PRC.

The disposable income of citizens residing in urban cities or towns grew by 12% while the consumer goods prices grew by only 5%. With increased spending power of customers in PRC, there will still be much room for an expansion of our pearl and jewelry trading platform including the trading of pearls and jewelry, the processing, manufacturing, research and development of jewelry products in Zhuji of Zhejiang Province, the PRC.

During 2008, the Group commenced the construction of stage two of Phase One of CP&J Project with a planned gross floor area of approximately 100,000 square meters, including manufacturing and processing areas, residential areas and multi-complex buildings. We have fully capitalized on our thorough research efforts into local market demand and consumer preference, together with our excellent project management expertise and extensive cost control experience. This adds value to every aspect of the CP&J Project so as to provide quality properties catering specifically to our target customers.

**FINANCIAL REVIEW**

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 for the first time under Hong Kong Financial Reporting Standards.

The Group has two main business segments during the year. 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 property development and investment (the "Property Segment"). During the fiscal year 2008, the Group successfully launched the sale of Phase One Market Centre in CP&J Project and recorded satisfactory sales with 32% of total planned saleable areas sold at expected selling prices. The Pearl Segment and the Property Segment accounted for 63.3% and 36.7% of the Group's revenue (including rentals) respectively.

No financial information for CP&J City in last fiscal year is available for comparison with that in the current fiscal year as the results of CP&J City is consolidated in the Group in this fiscal year for the first time. Thus, the previous year's financial information is represented only by investment properties held by the Group in Hong Kong and the PRC for comparison purpose.

*Revenue and gross profit*

Revenue increased by HK$238.0 million from HK$402.5 million in fiscal year 2007 to HK$640.5 million in fiscal year 2008, which was due primarily to the sales of Phase One Market Centre units in CP&J Project in the amount of HK$228.3 million in the fourth quarter of fiscal year 2008.

Gross profit increased by HK$160.1 million from HK$116.9 million in fiscal year 2007 to HK$277.0 million in fiscal year 2008, which was due primarily to an increase in gross profit of HK$145.7 million attributable to sales of Phase One Market Centre units in CP&J Project in the fourth quarter of fiscal year 2008. The Group's gross margin was increased from 29% in fiscal year 2007 to 43.2% in fiscal year 2008.

Investment income increased by HK$7.4 million from HK$10.8 million in fiscal year 2007 to HK$18.2 million in fiscal year 2008, which was primarily due to an increase in interest income by HK$8.3 million from HK$9.0 million in fiscal year 2007 to HK$17.3 million in fiscal year 2008. This increase was partially offset by a decrease in net realized gain on sale of marketable securities of HK$0.8 million.

*Other operating income*

Other operating income decreased by HK$17.1 million from HK$24.0 million in fiscal year 2007 to HK$6.9 million in fiscal year 2008, which was primarily due to one-time sales of obsolete inventory of HK$22.5 million in fiscal year 2007 with no such revenue in fiscal year 2008. This decrease was partially offset by a gain on sale of an investment property of HK$5.6 million in fiscal year 2008.

*Increase in fair values of investment properties*

According to the valuation reports dated March 31, 2008 prepared by independent professional property valuers, the fair values of investment properties in the CP&J Project and other properties in Hong Kong and the PRC increased by HK$448.9 million (2007: HK$Nil) and HK$6.0 million (2007: HK$2.0 million), respectively.

*Selling, administrative and other operating expenses ("S&A expenses")*

S&A expenses increased by HK$79.8 million from HK$87.3 million in fiscal year 2007 to HK$167.1 million in fiscal year 2008, which was primarily due to an increase in S&A expenses of the Property Segment of HK$33.1 million and an impairment loss on goodwill of HK$47.3 million in fiscal year 2008.

*Taxation*

Taxation increased by HK$179.7 million from HK$7.2 million in fiscal year 2007 to HK$186.9 million in fiscal year 2008, which was primarily due to an increase in profit before taxation and higher tax rates including income tax and land appreciation tax applied to property sales.

***Profit attributable to equity shareholders***

Profit attributable to equity shareholders increased by HK$172.4 million from HK$60.0 million in fiscal year 2007 to HK$232.4 million in fiscal year 2008, which was primarily due to the sales and the lease of Phase One Market Centre units in CP&J Project in the fourth quarter of fiscal year 2008, which contributed net profit of HK$166.3 million.

***Investment properties***

As at March 31, 2008, 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$869 million (2007: HK$Nil) and HK$84 million (2007: HK$96.8 million) respectively. As at March 31, 2008, the Group achieved a targeted occupancy rate of 20% in the CP&J Project's market centre with secured 3 years' leasing term.

After a review of existing investment properties held by the Group, the properties contributed remarkable returns to the Group this fiscal year which included the disposal of an investment property in Hong Kong amounting to HK$25 million. After deducting net asset values of investment property at HK$19.4 million, a gain of HK$5.6 million was made.

***Liquidity and capital resources***

As at March 31, 2008, the Group's total equity increased to HK$1,221.3 million or HK$1.0 per share from HK$679.0 million or HK$0.68 per share.

As at March 31, 2008, the Group's total secured bank loans were HK$199.8 million (2007: HK$Nil). Gearing ratio as at March 31, 2008, calculated on the basis of total borrowings to total equity, was 0.16. Based on the net borrowings, after deduction of bank and cash, to total equity, such gearing ratio as at March 31, 2008 was zero in line with the disclosure requirement of HKAS 1 (Amendment). The maturity profile of the Group's total borrowings is set out as follows:

| | **2008**<br>***HK$'000*** |
|---|---|
| Repayable: | |
| Within 1 year | **33,300** |
| More than 1 year but not exceeding 2 years | **66,600** |
| More than 2 years but not exceeding 5 years | **99,900** |
| | **199,800** |

The Group had available bank facilities of HK$414.8 million in total with various banks at March 31, 2008, of which HK$199.8 million was drawn and HK$215.0 million was unutilized.

With ample committed banking facilities in place, cash in hand and continuous cash inflows from operations, the Group has adequate financial resources to meet our anticipated future liquidity requirements.

Cash and cash equivalents amounted to HK$587.6 million (2007: HK$296.4 million) accounted for 54% (2007: 70%) of Group's total current assets. The Group's net cash inflow generated from operating activities was HK$332.4 million, increased by HK$264.7 from HK$67.7 million in fiscal year 2007, primarily due to the property sales in CP&J Project in the fourth quarter of fiscal year 2008. Net cash outflow of HK$341.0 million for investing activities primarily comprised payments for properties under development in CP&J Project.

During the year, the Company made a placement of 200 million existing shares at a price of HK$1.48 per placing share to raise gross fund proceeds of HK$296.0 million.

***Current assets and current liabilities***

As at March 31, 2008, current assets amounted to HK$1,083.2 million (2007: HK$421.8 million) and current liabilities amounted to HK$566.8 million (2007: HK$40.0 million). Current ratio decreased to 1.9 to 1 as at March 31, 2008 from 10.5 to 1 as at March 31, 2007.

***Major customers and suppliers***

For the year ended March 31, 2008, the aggregate amount of sales from the five largest customers accounted for 27% (2007: 41%) of the total revenue of the Group, and the aggregate amount of purchases from the five largest suppliers accounted for 57% (2007: 52%) 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 guarantees have been utilized by subsidiaries as at March 31, 2008.

CP&J City executed a mortgage collaboration agreement with a PRC bank under which the Group has agreed to indemnify the loan maker who purchased the property in CP&J Project for repaying any loan outstanding to the bank if the sales and purchase contract with the required collateral documents in relation to the purchased property are not presented to the bank in due course. As at March 31, 2008, the Group has maximum guarantees of HK$28.2 million. The directors consider that in case of default in payments, the repayments of the outstanding mortgage principal together with the accrued interest and penalty thereon would be more than covered by the net realizable value of the related property and, accordingly, no provision has been made in the financial statements in respect of the guarantees.

Save as disclosed above, the Group had no other significant contingent liabilities as at March 31, 2008.

*Treasury policy*

During the year, the Group had no derivative contracts to hedge against exchange fluctuations. The impact of potential revaluation of the Renminbi is not considered to be significant to our operations.

As at March 31, 2008, we borrowed 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*

As at March 31, 2008, the Group had 1,143 (2007: 1,026) employees, of whom 81 (2007: 79) employees were based in Hong Kong. For the year ended March 31, 2008, total staff cost, including directors' emoluments, share-based payments and provident funds, was approximately HK$57.8 million (2007: HK$53.5 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.

**Performance of the Pearl Segment**

*Revenue and gross profit*

Revenue increased by HK$7.1 million from HK$398.3 million in fiscal year 2007 to HK$405.4 million in fiscal year 2008, which was primarily due to an increase in sales of jewelry products by HK$17.5 million from HK$205.5 million in fiscal year 2007 to HK$223.0 in fiscal year 2008.

Gross profit increased by HK$11.8 million from HK$112.7 million in fiscal year 2007 to HK$124.5 million in fiscal year 2008. Gross margin increased from 28.3% in fiscal year 2007 to approximately 30.7% in fiscal year 2008. The increase in gross margin was mainly due to cost reductions on the production line of assembled jewelry sectors following the implementation of effective cost controls and the enhancement of production efficiency.

*Other income*

Investment income increased by HK$5.8 million from HK$10.8 million in fiscal year 2007 to HK$16.6 million in fiscal year 2008, which was primarily due to an increase in interest income by HK$6.7 million from HK$9.0 million in fiscal year 2007 to HK$15.7 million in fiscal year 2008. This increase was partially offset by a decrease in net realized gain on sale of marketable securities of HK$0.8 million.

Other operating income decreased by HK$23.3 million from HK$24.0 million in fiscal year 2007 to HK$0.7 million in fiscal year 2008, which was primarily due to one-time sales of obsolete inventory of HK$22.5 million in fiscal year 2007 with no such revenue in fiscal year 2008.

*S&A expenses*

S&A expenses decreased by HK$0.6 million from HK$83.0 million in fiscal year 2007 to HK$82.4 million in fiscal year 2008, primarily due to a write-back of provision for doubtful debts of HK$5.3 million and a reduction in stock compensation expenses of HK$4.0 million. This decrease was partially offset by increases in selling expenses of HK$2.0 million and foreign exchange costs of HK4.1 million.

*Taxation*

Taxation decreased by HK$0.1 million from HK$6.7 million in fiscal year 2007 to HK$6.6 million in fiscal year 2008, which was primarily due to an decrease in taxable income in fiscal year 2008.

*Liquidity and capital resources*

The Pearl Segment's liquidity was funded by the collection of accounts receivable and sale of inventory. Cash and cash equivalents amounted to HK$434.2 million, increased by HK$150.0 million from HK$284.2 million at March 31, 2007.

The Group had no bank loans drawn for the Pearl Segment as at March 31, 2008.

With ample committed banking facilities in place, cash in hand and continuous cash inflows from operations, the Group has adequate financial resources to meet the anticipated future liquidity requirements of the Pearl Segment.

*Current assets and current liabilities*

As at March 31, 2008, current assets amounted to HK$591.9 million (2007: HK$407.8 million) and current liabilities amounted to HK$37.5 million (2007: HK$38.2 million). Current ratio increased to 15.8 to 1.0 as at March 31, 2008 from 10.7 to 1.0 as at March 31, 2007.

**Performance of the Property Segment**

*Revenue and gross profit*

For the year ended March 31, 2008, the Property Segment recorded a total revenue of HK$228.3 million (2007: HK$Nil) which was mainly attributable to the sales of properties in CP&J Project.

Rental income amounting to HK$1.3 million (2007: HK$Nil) and HK$5.5 million (2007: HK$4.2 million) were made by the CP&J Project and other properties in Hong Kong and the PRC respectively. Rental income made by the CP&J Project has been consolidated since March 2008 which was in line with the inception of the term of rental properties.

Costs of sales of the Group for year ended March 31, 2008 was approximately HK$82.6 million which represented sales of properties in the CP&J Project and gross margin was maintained at 63.8%.

***Other income***

Other income of the Group for the year ended March 31, 2008 was approximately HK$462.7 million (2007: HK$2 million), which mainly included:

*Increase in fair values of investment properties*

According to the valuation reports dated March 31, 2008 prepared by independent professional property valuers, the fair values of investment properties in the CP&J Project and other properties in Hong Kong and the PRC increased by HK$448.9 million (2007: HK$Nil) and HK$6.0 million (2007: HK$2.0 million), respectively.

*Gain on disposal of investment property*

In October 2007, the Group disposed of an investment property amounting to HK$25 million. After deducting net asset values of the investment property at HK$19.4 million, a gain of HK$5.6 million was made.

***Selling expenses***

Selling expenses for the year ended March 31, 2008 was approximately HK$15.8 million (2007: HK$Nil), including the CP&J Project's expenses related to advertisement and promotion activities for our properties, fees to relevant professional marketing personnel and expenses on other marketing promotion activities. Selling expenses accounted for 6.7% of the total revenue of this segment.

***Administrative and other operating expenses***

Administrative and other operating expenses for the year ended March 31, 2008 amounting to HK$64.5 million (2007: HK$Nil) and HK$4.4 million (2007: HK$4.3 million) were made by the CP&J Project and other properties in Hong Kong and the PRC respectively. This mainly included staff costs, consultancy fees, general office expenses and impairment loss on goodwill in CP&J City. Administrative and other operating expenses accounted for 30% of the total revenue of this segment.

***Taxation***

Taxation of this segment for the year ended March 31, 2008 consisted of income tax of HK$14.6 million (2007: HK$Nil), land appreciation HK$53.2 million (2007: HK$Nil) arising from the sales of properties and deferred taxation of HK$112.5 million (2007: HK$0.5 million) arising from the revaluation gain of the investment properties. The income tax, land appreciation tax and deferred tax provisions were mainly made in respect of CP&J City.

***Liquidity and capital resources***

The segment's primary uses of cash are to pay for capital expenditure, construction costs, land costs, infrastructure costs, consulting fees to architects and designers and finance costs, as well as normal recurring expenses. The segment has financed its liquidity requirements through a combination of internal resources (including the sales of properties and rental income) and bank borrowings with the pledged land.

As at March 31, 2008, the segment had cash and cash equivalents of HK$153.4 million (2007: HK$12.2 million), which was mainly denominated in Renminbi and Hong Kong dollar.

***Current assets and current liabilities***

As at March 31, 2008, the segment had current assets of HK$491.3 million (2007: HK$14.0 million) and current liabilities of HK$529.3 million (2007: HK$1.8 million).

Current assets mainly include cash and cash equivalents of HK$153.4 million (2007: HK$12.2 million), properties held for sales of HK$182.4 million (2007: HK$Nil), trade receivable of HK$80 million (2007: HK$Nil) and prepayments and deposits of HK$75.5 million (2007: HK$1.8 million).

Current liabilities mainly comprise bank borrowings of HK$33.3 million (2007: HK$Nil), construction payables of HK$110 million (2007: HK$Nil), receipts in advance of HK$129 million (2007: HK$Nil), advances received from customers of HK$67 million (2007: HK$Nil), loans from minority shareholders of HK$114 million (2007: HK$Nil) and other and tax payables of HK$76 million (2007: HK$1.8 million).

***Investment properties***

As at March 31, 2008, 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$869 million (2007: HK$Nil) and HK$84 million (2007: HK$96.8 million) respectively. As at March 31, 2008, the Group achieved a targeted occupancy rate of 20% in the CP&J Project's market centre with secured 3 years' leasing term.

After a review of existing investment properties held by the Group, the properties contributed remarkable returns to the Group this fiscal year which included the disposal of an investment property in Hong Kong amounting to HK$25 million. After deducting net asset values of investment property at HK$19.4 million, a gain of HK$5.6 million was made.

## 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, 2008.

## 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, 2008.

## 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, 2008.

## 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 are subject to retirement and re-election at annual general meetings 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.

## PROSPECT

With rich experience and an excellent reputation in the pearl industry, we will continue to strive to grow our Pearl Operations by expanding our global network of customers through European and Asian markets and strengthening our relationship with other well-known brands in the jewelry business.

We intend to continue diversifying our operations to enhance shareholder value. The grand opening of CP&J Project's phase one market centers on April 18, 2008 marked a milestone in our Real Estate Operations. We expect our Real Estate Operations to remain one of our core businesses and to contribute to our sustainable growth in the near and long term.

Despite certain negative developments, including developments in the subprime lending market and the tightening of macroeconomic measures and increase of inflation rates in China, we expect to take advantage of existing growth opportunities and to benefit from continued strong domestic demand in China. We have performed well in fiscal year 2008. While we expect to encounter challenges in the future, with sound fundamentals and demonstrated financial strength, we are moving forward with positive momentum and look forward to solving these challenges, reaping new rewards and unlocking new opportunities.

I would like to take this opportunity to express my sincere gratitude to the Group's shareholders, customers and suppliers for their continuing support and trust and to all members of the Board and the employees for their hard work and contributions to the Company.

## BOARD OF DIRECTORS

As at the date hereof, the Board comprises Mr. Cheng Chung Hing, Mr. Cheng Tai Po, and Ms. 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.

By Order of the Board
**Man Sang International Limited**
**Cheng Chung Hing**
*Chairman*

Hong Kong, June 26, 2008

Remarks:

This results announcement is published on the website of the Company at www.man-sang.com and the Stock Exchange's website at www.hkex.com.hk.