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MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

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

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

	For the year ended 31 March		Increase/(Decrease)	
	2010	2009	HK\$'000	Percentage
	HK\$'000	HK\$'000		
Revenue	<u>339,379</u>	<u>359,734</u>	(20,355)	(5.66%)
Profit/(Loss) attributable to equity holders of the Company	<u>13,365</u>	<u>(72,336)</u>	85,701	N/A
HK cents per share				
Basic earnings/(loss)	1.09 cents	(5.91) cents		
Book closing dates:	From 20 August 2010 to 23 August 2010			

RESULTS

The Board of Directors (the “Directors” or the “Board”) of Man Sang International Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2010, together with the comparative figures for the previous year, as follows:

Consolidated Income Statement

For the year ended 31 March

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue	3	339,379	359,734
Cost of sales	6	<u>(276,602)</u>	<u>(226,422)</u>
Gross profit		62,777	133,312
Other income	4	653	645
Other gains/(losses) — net	5	15,979	(7,147)
Selling expenses	6	(15,826)	(21,043)
Administrative expenses	6	(97,770)	(119,514)
Decrease in fair values of investment properties and investment properties under construction		<u>(5,323)</u>	<u>(181,638)</u>
Operating loss		<u>(39,510)</u>	<u>(195,385)</u>
Finance income		1,859	9,729
Finance costs		<u>(1,620)</u>	<u>—</u>
Finance income — net		239	9,729
Share of profit/(loss) of an associate		<u>48</u>	<u>(53)</u>
Loss before income tax		(39,223)	(185,709)
Income tax credit	7	<u>14,314</u>	<u>50,765</u>
Loss for the year		<u><u>(24,909)</u></u>	<u><u>(134,944)</u></u>
Attributable to:			
Equity holders of the Company		13,365	(72,336)
Minority interests		<u>(38,274)</u>	<u>(62,608)</u>
		(24,909)	(134,944)
Earnings/(loss) per share attributable to equity holders of the Company	9		
Basic		<u><u>1.09 cents</u></u>	<u><u>(5.91) cents</u></u>
Diluted		<u><u>1.07 cents</u></u>	<u><u>(5.91) cents</u></u>
Dividends — Interim	8	<u><u>36,748</u></u>	<u><u>—</u></u>

Consolidated Statement of Comprehensive Income
For the year ended 31 March

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Loss for the year	(24,909)	(134,944)
Other comprehensive income:		
Exchange difference on translation of foreign operations	(125)	17,016
Change in deferred income tax liabilities in relation to decrease in fair value of leasehold buildings arising from tax rate change	—	(133)
Increase/(decrease) in fair value of leasehold buildings, net of deferred income tax	<u>4,761</u>	<u>(8,417)</u>
Other comprehensive income for the year	<u>4,636</u>	<u>8,466</u>
Total comprehensive loss for the year, net of tax	<u>(20,273)</u>	<u>(126,478)</u>
Attributable to:		
Equity holders of the Company	17,995	(70,803)
Minority interests	<u>(38,268)</u>	<u>(55,675)</u>
	<u>(20,273)</u>	<u>(126,478)</u>

Consolidated Balance Sheet
As at March 31

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		762,865	845,384
Investment properties under construction		133,679	201,328
Property, plant and equipment		43,762	40,158
Prepaid lease payments		35,461	27,776
Investment in an associate		100	52
Deferred income tax assets		1,289	—
		977,156	1,114,698
Current assets			
Inventories		51,646	41,942
Properties under development		69,431	—
Completed properties held for sale		202,073	179,619
Trade and other receivables	10	161,506	226,553
Financial assets at fair value through profit or loss		49,194	18,619
Current income tax recoverable		5,401	3,479
Pledged bank deposits		17,000	17,000
Cash and cash equivalents		501,541	462,766
		1,057,792	949,978
Current liabilities			
Trade and other payables	11	488,775	439,456
Current income tax liabilities		74,253	68,507
Bank borrowings		158,197	90,400
Amount due to an associate		1,530	—
		722,755	598,363
Net current assets		335,037	351,615
Total assets less current liabilities		1,312,193	1,466,313
Non-current liabilities			
Deferred income tax liabilities		78,703	102,192
Bank borrowings		22,600	101,700
		101,303	203,892
Net assets		1,210,890	1,262,421
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		122,494	122,474
Reserves	12	977,971	991,254
		1,100,465	1,113,728
Minority interests		110,425	148,693
Total equity		1,210,890	1,262,421

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, investment properties under construction, leasehold buildings, which are stated at fair value as explained in the accounting policies set out in the consolidated financial statements. These policies have been consistently applied to all the years presented unless otherwise stated.

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), 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 consolidated 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 adopted the following new or revised HKFRS, which are relevant to its operations:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations	1 January 2009
HKFRS 7 (Amendment)	Financial Instruments: Disclosures	1 January 2009
HKFRS 8	Operating Segments	1 January 2009
HKFRSs (Amendments)	Improvements to HKFRSs*	1 January 2009

* The Group adopted the amendments of HKFRS published by the HKICPA in October 2008, which are relevant to its operations, except for the amendments to HKFRS 5 which will be applied from 1 January 2010.

- (1) 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 statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owners changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it also is in conformity with the revised standard.
- (2) HKAS 23 (Revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediate recognition as expense of these borrowing costs is eliminated. The revised standard does not have a material impact on the Group’s consolidated financial statements.
- (3) HKFRS 2 (Amendment) clarifies the definition of “vesting conditions” and specifies the accounting treatment of “cancellations” by the counterparty to a share-based payment arrangement. Vesting conditions consist of service conditions (which require a counterparty to complete a specific period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All “non-vesting conditions” and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments

granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The amendment does not have a material impact on the Group's consolidated financial statements.

- (4) HKFRS 7 (Amendment) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.
- (5) HKFRS 8 requires a "management approach" under which segment information is presented on the same basis that is used for internal reporting purposes. The adoption of this has resulted in a number of changes and additional disclosures to the presentation of segmental information in the consolidated financial statements.

New or revised standards, interpretations and amendments to published standards that are not yet effective

The following new or revised standards, interpretations and amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1 April 2009 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 (Amendments)	Classification of rights issues	1 February 2010
HKAS 39 (Amendments)	Financial instruments: Recognition and measurement — eligible hedged items	1 July 2009
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions	1 January 2010
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners	1 July 2009

In May 2009 and in May 2010, the HKICPA published Improvements to HKFRS which sets out amendments to a number of HKFRS which are effective for annual periods beginning on or after 1 July 2009, 1 January 2010, 1 July 2010 or 1 January 2011.

The Group has already commenced an assessment of the related impact of adopting the above new or revised standards, interpretations and amendments to standards, but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position. The Group plans to adopt these new or revised standards, interpretation and amendments to standards when they become effective.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents (i) the amounts received and receivable from customers in respect of goods sold less returns and allowances; (ii) the proceeds from the sale of properties during the year; and (iii) the amounts received and receivable in respect of leasing of investment properties.

	2010 HK\$'000	2009 HK\$'000
Sales of pearls and jewelry	261,539	316,703
Sales of properties	51,720	16,435
Rental income	26,120	26,596
	<u>339,379</u>	<u>359,734</u>

The Group determines its operating segments based on the reports reviewed by the executive Directors that are used to make strategic decision.

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 segment represents a strategic business unit that are subject to risks and returns that are different from the other reportable operating segment. Details of the reportable operating segment are as follows:

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:

As at and for the year ended 31 March 2010:

	Pearls and jewelry HK\$'000	Property development and investment HK\$'000	Consolidated HK\$'000
Profit and loss items			
Segment revenue	261,539	78,679	340,218
Inter-segment revenue	—	(839)	(839)
Revenue from external customers	<u>261,539</u>	<u>77,840</u>	<u>339,379</u>
Segment operating profit/(loss)	32,249	(70,217)	(37,968)
Finance income	1,023	792	1,815
Finance costs	(1,620)	—	(1,620)
Share of profit of an associate	—	48	48
Segment profit/(loss) before income tax	31,652	(69,377)	(37,725)
Income tax (expenses)/credit	<u>(2,597)</u>	<u>17,737</u>	<u>15,140</u>
Segment profit/(loss) for the year	<u>29,055</u>	<u>(51,640)</u>	<u>(22,585)</u>
Balance sheet items			
Total segment assets	533,734	1,412,913	1,946,647
Total segment assets include:			
Investment in an associate	—	100	100
Additions to non-current assets (other than deferred income tax assets)	5,128	21,504	26,632
Total segment liabilities	<u>90,979</u>	<u>731,898</u>	<u>822,877</u>
Other information:			
Capital expenditures	5,128	28,568	33,696
Depreciation	(6,955)	(747)	(7,702)
Amortisation	—	(1,156)	(1,156)
Decrease in fair values of investment properties and investment properties under construction	—	(5,323)	(5,323)
Gain on disposal of investment properties	—	10,799	10,799
Net decrease in fair value of leasehold buildings	—	(144)	(144)
Gain on disposals of property, plant and equipment	—	4	4
Loss on impairment of properties under development	—	(591)	(591)
Provision for impairment of trade and other receivables	(4,964)	(5,675)	(10,639)
Reversal of provision for inventory obsolescence	<u>2,370</u>	<u>—</u>	<u>2,370</u>

As at and for the year ended 31 March 2009:

	Pearls and jewelry HK\$'000	Property development and investment HK\$'000	Consolidated HK\$'000
Profit and loss items			
Segment revenue	316,703	43,881	360,584
Inter-segment revenue	—	(850)	(850)
Revenue from external customers	<u>316,703</u>	<u>43,031</u>	<u>359,734</u>
Segment operating profit/(loss)	16,517	(200,966)	(184,449)
Finance income	6,881	2,426	9,307
Share of loss of an associate	—	(53)	(53)
Segment profit/(loss) before income tax	23,398	(198,593)	(175,195)
Income tax credit	<u>1,019</u>	<u>49,798</u>	<u>50,817</u>
Segment profit/(loss) for the year	<u>24,417</u>	<u>(148,795)</u>	<u>(124,378)</u>
Balance sheet items			
Total segment assets	478,452	1,429,331	1,907,783
Total segment assets include:			
Investment in an associate	—	52	52
Additions to non-current assets (other than deferred income tax assets)	8,357	60,314	68,671
Total segment liabilities	<u>34,582</u>	<u>767,607</u>	<u>802,189</u>
Other information:			
Capital expenditures	8,509	76,888	85,397
Depreciation	(8,686)	(1,127)	(9,813)
Amortisation	—	(743)	(743)
Decrease in fair values of investment properties and investment properties under construction	—	(181,638)	(181,638)
Loss on disposals of investment properties	—	(2,337)	(2,337)
Increase in fair value of leasehold buildings	—	240	240
(Loss)/gain on disposals of property, plant and equipment	(1,055)	2,592	1,537
Provision for impairment of trade and other receivables	(6,733)	(20,745)	(27,478)
Provision for inventory obsolescence	<u>(5,708)</u>	<u>—</u>	<u>(5,708)</u>

A reconciliation of the reportable segments' loss before income tax to the Group's loss before income tax is as follows:

	2010 HK\$'000	2009 HK\$'000
Total loss before income tax for reportable segments	(37,725)	(175,195)
Fair value change in financial assets at fair value through profit or loss	6,166	(8,812)
Dividend income	653	645
Share options granted to directors and employees	(5,411)	—
Corporate finance income	44	422
Corporate expenses	<u>(2,950)</u>	<u>(2,769)</u>
Loss before income tax of the Group	<u>(39,223)</u>	<u>(185,709)</u>

A reconciliation of the reportable segments' assets to the Group's total assets is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Total for reportable segments	1,946,647	1,907,783
Unallocated:		
Corporate assets	39,107	138,274
Financial assets at fair value through profit or loss	49,194	18,619
Total assets of the Group	<u>2,034,948</u>	<u>2,064,676</u>

A reconciliation of the reportable segments' liabilities to the Group's total liabilities is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Total for reportable segments	822,877	802,189
Unallocated:		
Corporate liabilities	354	66
Current income tax liabilities	827	—
Total liabilities of the Group	<u>824,058</u>	<u>802,255</u>

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong are HK\$13,995,000 (2009: HK\$15,966,000) and HK\$325,384,000 (2009: HK\$343,768,000) respectively.

The Group's two operating segments operate in the main geographical areas and the revenue of which are disclosed as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	13,995	15,966
North America	47,082	69,945
Europe	156,922	152,957
Mainland China (excluding Hong Kong)	76,345	43,030
Other Asian countries	33,949	52,194
Others	11,086	25,642
	<u>339,379</u>	<u>359,734</u>

The total of non-current assets excluding investment in an associate and deferred income tax assets located in Hong Kong and places other than Hong Kong are HK\$125,966,000 (2009: HK\$106,364,000) and HK\$849,801,000 (2009: HK\$1,008,282,000) respectively.

Revenues of approximately HK\$58,010,000 (2009: HK\$47,789,000) are derived from a single external customer. These revenue are attributable to the pearls and jewelry segment.

4. OTHER INCOME

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Dividend income from financial assets at fair value through profit or loss	<u>653</u>	<u>645</u>

5. OTHER GAINS/(LOSSES) — NET

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Exchange losses	(1,044)	(465)
Fair value change in financial assets at fair value through profit or loss	6,166	(8,812)
Gain/(loss) on disposals of investment properties	10,799	(2,337)
Gain on disposals of property, plant and equipment	4	1,537
Government grants	—	1,590
Loss on impairment of properties under development	(591)	—
(Decrease)/increase in fair value of leasehold buildings	(144)	240
Others	<u>789</u>	<u>1,100</u>
	<u>15,979</u>	<u>(7,147)</u>

6. EXPENSES BY NATURE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Costs of inventories and completed properties for sales	242,034	186,610
Employee benefit expenses (including directors' emoluments)	71,482	65,384
Auditor's remuneration		
— Provision for current year	1,420	1,260
— Under provision in prior year	59	79
Depreciation of property, plant and equipment	7,702	9,813
Amortisation of prepaid lease payments	1,156	743
Provision for impairment of trade and other receivables	10,639	27,478
(Reversal of)/provision for inventory obsolescence	(2,370)	5,708
Operating lease rental on rented premises	17,462	14,012
Others	<u>40,614</u>	<u>55,892</u>
Total cost of sales, selling and administrative expenses	<u>390,198</u>	<u>366,979</u>

7. INCOME TAX CREDIT

	2010 HK\$'000	2009 HK\$'000
Current income tax:		
Hong Kong profits tax	1,894	1,720
PRC enterprise income tax	10,987	(5,283)
PRC land appreciation tax	<u>—</u>	<u>3,216</u>
	<u>12,881</u>	<u>(347)</u>
Over provision in prior year:		
Hong Kong profits tax	(426)	—
PRC land appreciation tax	<u>(526)</u>	<u>—</u>
	<u>(952)</u>	<u>—</u>
Deferred income tax:		
Charge to current year	10,006	263
Credit to current year	(36,691)	(51,538)
Attributable to change in tax rate	<u>442</u>	<u>857</u>
	<u>(26,243)</u>	<u>(50,418)</u>
	<u><u>(14,314)</u></u>	<u><u>(50,765)</u></u>

Hong Kong profits tax has been provided at a rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year.

The PRC enterprise income tax in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

PRC land appreciation tax is levied and provided for in the consolidated financial statements 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.

8. DIVIDENDS

	2010 HK\$'000	2009 HK\$'000
Interim dividend — HK3.00 cents (2009: Nil) per share	<u>36,748</u>	<u>—</u>

The dividend paid during the year ended 31 March 2010 was HK\$36,748,000 (2009: HK\$36,742,000). The Board does not recommend the payment of a final dividend for the year ended 31 March 2010 (2009: Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share amount is based on the profit for the year attributable to equity holders of the Company of approximately HK\$13,365,000 (2009: loss of HK\$72,336,000) and the weighted average number of 1,224,825,138 (2009: 1,224,740,207) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount for the year is based on the profit for the year attributable to equity holders of the Company of approximately HK\$13,365,000 and 1,243,306,380 ordinary shares, which represented the weighted average number of 1,224,825,138 ordinary shares in issue during the year and the weighted average number of 18,481,242 ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the year.

For the year ended 31 March 2009, there was no difference in the weighted-average number of ordinary shares used for basic and diluted net loss per ordinary share as the effect of all potentially dilutive ordinary shares outstanding was anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	2010 HK\$'000	2009 HK\$'000
Trade receivables	116,998	142,845
Less: provision for impairment of trade receivables	<u>(54,709)</u>	<u>(44,196)</u>
Trade receivables — net	62,289	98,649
Receivables from sale of financial assets contracts (<i>Note a</i>)	—	39,608
Deposits, prepayments and other receivables	<u>99,217</u>	<u>88,296</u>
	<u>161,506</u>	<u>226,553</u>

Notes:

(a) The full amount of receivable was received immediately after the year ended 31 March 2009.

The Group grants an average credit period of 60 days to its customers. The carrying amounts of the trade and other receivables approximate their fair values as these financial assets, which are measured at amortised cost, is expected to be paid within a short period of time, such that the impact of the time value of money is not significant.

At each balance sheet date, the recoverability of the Group's trade receivables due from individual customers are assessed based on the credit history of its customers, their financial conditions and current market conditions. Consequently, specific impairment provision is recognised.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2010 HK\$'000	2009 HK\$'000
Renminbi	89,721	102,846
United States dollars	62,591	68,064
Hong Kong dollars	9,048	55,511
Others	<u>146</u>	<u>132</u>
	<u>161,506</u>	<u>226,553</u>

The Group has provided fully for all receivables where recovery of the amounts is remote, unless the Group has determined that such balances are not recoverable, in which case the impairment loss is directly written off against the corresponding trade receivables. Based on past experience and the Group's assessment, the management believes that no impairment provision is necessary in respect of the remaining balances as there had not been a significant change in credit quality of such receivables and the balances are considered fully recoverable.

Movements in the provision for impairment of trade receivables are as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
At beginning of the year	44,196	17,123
Exchange differences	—	(405)
Provision for impairment losses	10,639	27,478
Amounts written off as uncollectible	(126)	—
	<u>54,709</u>	<u>44,196</u>
At end of the year	<u>54,709</u>	<u>44,196</u>

Included in trade and other receivables of the Group are trade receivables of HK\$116,998,000 (2009: HK\$142,845,000) and their ageing analysis is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Not past due	21,349	20,449
1 to 60 days past due	37,465	32,393
61 to 120 days past due	10,008	9,564
More than 120 days past due	48,176	80,439
	<u>116,998</u>	<u>142,845</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

As of 31 March 2010, trade receivables of HK\$46,704,000 (2009: HK\$78,200,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality of these receivables and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
1 to 60 days past due	34,590	32,393
61 to 120 days past due	2,700	9,564
More than 120 days past due	9,414	36,243
	<u>46,704</u>	<u>78,200</u>

As of 31 March 2010, trade receivables of HK\$54,709,000 (2009: HK\$44,196,000) were impaired and provided for. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. The ageing analysis of these receivables is as follows:

	2010 HK\$'000	2009 HK\$'000
Not past due	5,764	—
1 to 60 days past due	2,875	—
61 to 120 days past due	7,308	—
More than 120 days past due	<u>38,762</u>	<u>44,196</u>
	<u><u>54,709</u></u>	<u><u>44,196</u></u>

11. TRADE AND OTHER PAYABLES

	2010 HK\$'000	2009 HK\$'000
Trade payables	111,164	105,557
Loans from minority shareholders (<i>Note a</i>)	114,700	114,300
Advance receipts from customers	92,967	48,127
Other accruals and other payables	<u>169,944</u>	<u>171,472</u>
	<u><u>488,775</u></u>	<u><u>439,456</u></u>

Note:

(a) The loans from minority shareholders are interest free, unsecured and has no fixed repayment terms.

The ageing analysis of trade payables is as follows:

	2010 HK\$'000	2009 HK\$'000
0 to 60 days past due	103,923	98,744
61 to 120 days past due	5,748	992
More than 120 days past due	<u>1,493</u>	<u>5,821</u>
	<u><u>111,164</u></u>	<u><u>105,557</u></u>

The carrying amounts of trade and other payables approximate their fair values. The carrying amounts of trade and other payables are denominated in the following currencies:

	2010 HK\$'000	2009 HK\$'000
Renminbi	341,789	291,551
United States dollars	14,191	20,282
Hong Kong dollars	132,778	127,575
Others	<u>17</u>	<u>48</u>
	<u><u>488,775</u></u>	<u><u>439,456</u></u>

12. RESERVE

	Share premium HK\$'000	Share option reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits (note a) HK\$'000	Total HK\$'000
Balance at 1 April 2008	321,509	3,946	76,952	26,913	669,479	1,098,799
Loss for the year	—	—	—	—	(72,336)	(72,336)
Other comprehensive income/(loss):						
Exchange difference on translation of foreign operations	—	—	—	10,083	—	10,083
Change in deferred income tax liabilities in relation to property revaluation arising from tax rate change	—	—	(133)	—	—	(133)
Decrease in fair values of leasehold buildings, net of deferred income tax	—	—	(8,417)	—	—	(8,417)
Total other comprehensive (loss)/income	—	—	(8,550)	10,083	—	1,533
Total comprehensive (loss)/income	—	—	(8,550)	10,083	(72,336)	(70,803)
Release of property revaluation reserve upon depreciation of leasehold buildings	—	—	(1,163)	—	1,163	—
Transfer to retained profits upon disposals of completed properties held for sale, net of deferred income tax	—	—	(756)	—	756	—
Dividend paid	—	—	—	—	(36,742)	(36,742)
Balance at 31 March 2009	321,509	3,946	66,483	36,996	562,320	991,254
Profit for the year	—	—	—	—	13,365	13,365
Other comprehensive income/(loss):						
Exchange difference on translation of foreign operations	—	—	—	(131)	—	(131)
Increase in fair values of leasehold buildings, net of deferred income tax	—	—	4,761	—	—	4,761
Total other comprehensive income/(loss)	—	—	4,761	(131)	—	4,630
Total comprehensive income/(loss)	—	—	4,761	(131)	13,365	17,995
Release of property revaluation reserve upon depreciation of leasehold buildings	—	—	(39)	—	39	—
Transferred to retained profits upon disposals of the completed properties held for sale, net of deferred income tax	—	—	(6,034)	—	6,034	—
Issue of new shares upon exercise of share options	59	—	—	—	—	59
Employee share option benefits	—	5,411	—	—	—	5,411
Dividend paid	—	—	—	—	(36,748)	(36,748)
Transferred to share premium upon exercise of share options	38	(38)	—	—	—	—
Transferred to retained profits upon lapse of share options	—	(96)	—	—	96	—
Balance at 31 March 2010	321,606	9,223	65,171	36,865	545,106	977,971

Note:

- (a) The Group's retained profits included an amount of HK\$12,551,000 (2009: HK\$11,818,000) reserved by the subsidiaries in the People's Republic of China ("PRC") in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. PRC company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2010 (2009: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 August 2010 to 23 August 2010, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend the annual general meeting of the Company (the "2010 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 19 August 2010.

ANNUAL GENERAL MEETING

The 2010 Annual General Meeting will be held on 23 August 2010 (Monday), notice of which will be published on the website of the Company (www.man-sang.com) and the designated issuer website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk), and despatched to shareholders of the Company accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Pearls and Jewelry Operations

The shortage in labour supply in Guangdong, wages and costs escalations throughout China, and the gradual appreciation of the Renminbi against the US Dollar and other currencies have created excessive pressure on the costs of processing and production of pearls and jewelry products in our production facilities in Shenzhen, Southern China.

The slow recovery and high unemployment rates in the United States and Europe, recent Euro crisis and concern over the sovereignty debt levels of Greece and several other European countries, the downgrading of credit ratings of some European countries and banks by international credit agencies of late and the drastic exchange rate fluctuations of Euro against US Dollars are adverse factors expected to slow down the pace of worldwide recovery from the global economic and financial crisis. It is anticipated that in the United States and Europe,

which account geographically for the majority of our pearls and jewelry sales, consumer confidence level for luxury products will take much longer to improve and our major accounts in the two regions will remain cautious about replenishing their inventory level.

Against the difficult business environment faced by our Pearls and Jewelry Operations, we will on the one hand continue to closely monitor the development of our core markets and signs of further deterioration, and the business and credit assessment of all our major accounts, and will on the other hand exercise tight cost control and strict financial disciplines, in order to maintain adequate liquidity to fund our operations and to capture early opportunities of business and economic recovery when the market improves.

Property Development and Investment Operations

The Chinese Government initiated a series of strong tightening measures to reign in surging home prices and squeeze the liquidity out of the property market starting from end of 2009, reversing the effect of the economic expansion program of RMB4 trillion launched in late 2008.

These strong doses taken to restrain the over-heated property market and suppress house prices have immediately dampened demand for houses, drastically reducing property transaction volumes and cooling down prices in both the primary and secondary markets in the whole country.

The tightening of policies of bank lendings to purchasers of real estates and gradual hike of interest rates on property loans have had an adverse effect on the development and property sales of the China Pearls and Jewelry Project (“CP&J Project”). We are concerned that some investors may not be able to obtain bank finance to complete the purchase of the properties they have contracted for while some other investors might experience difficulty making on time instalment repayments of their property loans. Financial year 2011 promises to be a challenging year for our CP&J Project.

Given the current adverse environment of the property market in China, we have and will continue to adopt prudent and strict financial disciplines in the execution of our business strategies and development plan for the CP&J Project, and will closely monitor the development of the China property market to review and make timely adjustment to our business strategy.

Financial Review

The Group has two main business segments. One business segment is in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewelry products (the “Pearls and Jewelry Segment”) while the other is in property development and investment (the “Property Development and Investment Segment”).

Revenue and gross profit

(i) Pearls and Jewelry Segment

Net sales attributable to our Pearls and Jewelry Segment decreased by HK\$55.2 million, or 17.4%, from HK\$316.7 million for financial year 2009 to HK\$261.5 million for financial year 2010 due to the decrease in market demand worldwide, as a result of the global economic contraction and recession.

Gross profit increased by HK\$8.7 million, or 8.5%, from HK\$102.8 million for financial year 2009 to HK\$111.5 million for financial year 2010. The improvement of gross profit margin from 32.5% for financial year 2009 to 42.6% for financial year 2010 was primarily attributed to the reduced cost of purchase of fresh water pearls in the PRC, a result of slackened demand during the early part of the financial year.

(ii) Property Development and Investment Segment

For financial year 2010, the Property Development and Investment Segment recorded a total revenue of HK\$77.9 million (2009: HK\$43.0 million), mainly from sales of properties in the CP&J Project and rental income from our investment properties.

Income from sales of properties in the CP&J Project increased significantly from HK\$16.4 million for financial year 2009 to HK\$51.7 million for financial year 2010. Rental income decreased slightly by HK\$0.4 million, or 1.5%, from 26.6 million for financial year 2009 to HK\$26.2 million for financial year 2010. Rental income of HK\$24.6 million (2009: HK\$26.6 million) and HK\$1.6 million (2009: Nil) were received from properties in the PRC and Hong Kong respectively.

To invigorate and stimulate the healthy development of the pearl and jewelry market in the CP&J Project, the Group entered into certain sales arrangements with no pre-determined payment terms and transferred the legal titles of the properties to their purchasers upon execution of the sales agreements and receipt of down payments of 24% of the selling price. In return, the Group retained the rights to use/lease these properties sold for a period of 5 years. Amounts recognised as revenue in this financial year consists of (i) down-payments of 24% of the selling prices, and (ii) the value of the rights retained to use/lease the properties, which are determined based on the present value of the rental income to be received from leasing out these properties factoring in the estimated occupancy rate of these properties. However, the strong measures initiated by the Chinese Government to cool down the property market from end of 2009 had created financial and operational difficulties for these shop investors. As the collectability of the remaining amounts (i.e. 76% of the selling price) to be received are not reasonably assured, the Group has not recognised the remaining amounts as its revenue, and as a result of which, the Group has recorded a gross loss of HK\$48.7 million in the current financial year from the Property Development and Investment Segment, against a gross profit of HK\$30.5 million for financial year 2009.

Pre-sale of residential units in a newly constructed building in the phase one development of the CP&J Project commenced in third quarter of this year of which contracts for sale and purchase of over 70% of the gross floor area have been signed. Sales income for these residential units has not yet been recognised in this financial year.

Selling and Administrative Expenses (the “S&A expenses”)

(i) Pearls and Jewelry Segment

S&A expenses decreased by HK\$4.3 million, or 4.7%, from HK\$91.4 million for financial year 2009 to HK\$87.1 million for financial year 2010, mainly attributable to decrease in commission expenses of HK\$3.8 million.

(ii) Property Development and Investment Segment

S&A expenses decreased significantly by HK\$22.7 million, or 46.1%, from HK\$49.2 million for financial year 2009 to HK\$26.5 million for financial year 2010. The decrease was mainly due to reduction of provision for impairment of trade receivables of HK\$15.1 million and cutting down on advertising and promotion costs associated with the CP&J Project, thereby saving an amount of HK\$5.4 million.

Decrease in fair values of investment properties and investment properties under construction

According to valuation reports prepared by independent professional property valuers, as at 31 March 2010, the fair values of our investment properties and investment properties under construction in the CP&J Project decreased by HK\$45.2 million (2009: decreased by HK\$180.6 million) while other investment properties in Hong Kong and the PRC increased by HK\$39.9 million (2009: decreased by HK\$1.0 million). The net reduction in value for 2010 was 5.3 million (2009: HK\$181.6 million).

Profit/(loss) attributable to equity holders of the Company

The Group recorded a profit attributable to equity holders of HK\$13.4 million for financial year 2010 against a loss attributable to equity holders of HK\$72.3 million for financial year 2009. The loss suffered in 2009 was mainly caused by the decrease in fair value of investment properties of HK\$181.6 million.

Liquidity and capital resources

As at 31 March 2010, the Group's total equity was HK\$1,210.9 million (2009: HK\$1,262.4 million), the reduction was the combined result of payment of an interim dividend of HK\$36.7 million and loss suffered for the year of HK\$24.9 million. On 31 March 2010, the Group had working capital (representing net current assets) of HK\$335.0 million (2009: HK\$351.6 million). With the committed banking facilities in place and cash on hand, the Group has adequate financial resources to meet our budgeted liquidity requirements. Cash and cash equivalents totalled HK\$501.5 million (2009: HK\$462.8 million) accounted for 47% (2009: 49%) of the Group's total current assets as at 31 March 2010. Current ratio decreased slightly from 1.6 as at 31 March 2009 to 1.5 as at 31 March 2010.

As at 31 March 2010, the Group's total secured bank loans of HK\$180.8 million (2009: HK\$192.1 million) were mainly borrowed by and associated with the CP&J Project. From February 2010, new loans with maturity between 3 to 5 years were granted to the CP&J Project, with which the bank loans falling due in the financial year 2010 were fully repaid. Gearing ratio, in the ratio of total bank borrowings to total equity, maintained at 0.15 as at both 31 March 2009 and 31 March 2010.

As at 31 March 2010, the Group had available banking facilities of HK\$330.8 million (2009: HK\$392.1 million) with various banks of which HK\$180.8 million (2009: HK\$192.1 million) has been drawn and HK\$150.0 million (2009: HK\$200.0 million) remained unutilised. The Group does not currently use any derivatives to manage interest rate risk.

Major customers and suppliers

For financial year 2010, total sales from the five largest customers accounted for 41% (2009: 42%) of the total revenue of the Group, and total purchases from the five largest suppliers accounted for 50% (2009: 50%) of the total purchases of the Group.

Contingent liabilities

During financial year 2010, 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 utilised by subsidiaries during financial year 2010 (2009: Nil).

The Group entered into a mortgage collaboration agreement with a bank in China under which the Group agreed to indemnify the bank for any failure by purchasers of the Group's properties in CP&J Project to repay the borrowings or interest to the bank for the period before and up to the bank registering the certificates of real estate ownership as collateral for the borrowings. As at 31 March 2010, the Group has maximum exposure on the guarantees of HK\$51.0 million (2009: HK\$52.2 million).

Save as disclosed above, the Group had no other significant contingent liabilities as at 31 March 2010 (2009: Nil).

Treasury policy

The Group operates principally in Hong Kong and China and is exposed to foreign exchange fluctuations from various currencies. For financial years 2009 and 2010, most of the Group's transactions were denominated in United States dollars, Hong Kong dollars and Renminbi. Since Hong Kong dollar remains pegged to the United States dollars within a defined range, the Group has not been exposed to any significant foreign exchange risk, and therefore had not adopted any hedging measures. The Group has subsidiaries engaging in business in China, with most of their transactions denominated in Renminbi. Since the Group generates Renminbi revenue and obtains Renminbi bank loans in China for settlement of liabilities in Renminbi, the Group has not been exposed to any significant foreign exchange risk.

Human Resources

As at 31 March 2010, the Group had a staff strength of 1,061 (2009: 987), of whom 70 (2009: 78) were based in Hong Kong. For financial year 2010, the total staff cost including directors' emoluments, share options benefit and mandatory provident funds, was approximately HK\$71.5 million (2009: HK\$65.4 million). Employees were remunerated on the basis of their performance and experience. Remuneration package, including salary and year-end discretionary bonus, was determined by reference to market conditions and individual performance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“MODEL CODE”)

The Company has adopted the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange 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 31 March 2010.

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 31 March 2010.

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 31 March 2010.

CORPORATE GOVERNANCE

The Group has applied the principles and complied with all the applicable provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2010 except for deviation from the code provisions A.2.1 and A.4.1 of the CG Code.

The code provision A.2.1 of the CG Code stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng Chung Hing assumed the role of both the Chairman and the Chief Executive Officer of the Company during the reporting period up to 31 August 2009. For the purpose of best corporate governance practice, the Company separated the roles of Chairman and Chief Executive Officer with effect from 1 September 2009. Also, on 6 October 2009, Mr. Cheng Chung Hing was redesignated as Non-executive Director of the Company. As Non-executive Director and Chairman, Mr. Cheng Chung Hing now focuses on the business strategy and direction of the Company, and continues to lead the Board while the Chief Executive Officer has taken up the responsibilities of day-to-day management of the Company’s businesses and operations. The separation of roles and division of responsibilities between the Chairman and the Chief Executive Officer are now clearly established.

The code provision A.4.1 of the CG Code stipulated that non-executive Directors should be appointed for a specific term and subject to re-election. Independent Non-executive Directors of the Company have not been appointed for any specific terms, but they are subject to retirement and re-election at annual general meeting at least once every three years in accordance with the CG Code.

As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

PROSPECTS

We anticipate that the general customer spending pattern heavily and adversely affected by the global economic contraction and persistent high unemployment rates will take time to recover before our pearl and jewelry industry as a whole may benefit. We will take a more prudent approach closely monitoring our costs of operations and liquidity while at the same time adopting a more flexible strategy to appropriately adjust our focus from the United States and European markets to further expand into other growing markets. We will also closely monitor the development of the property market in China with a view to capturing any opportunities and benefits for the sales and leasing of our properties in China.

BOARD OF DIRECTORS

As at the date hereof, the Board comprises, Mr. Cheng Tai Po, Ms. Yan Sau Man, Amy and Mr. Lee Kang Bor, Thomas as Executive Directors; Mr. Cheng Chung Hing as Non-executive Director; Mr. Fung Yat Sang, 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, 9 July 2010

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.hkexnews.hk.