MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	For the year ended 31 March		**(Decrease)/Increase**	
	2014	2013		
	HK$'000	*HK$'000*	*HK$'000*	*Percentage*
Revenue	**351,380**	461,185	(109,805)	-23.8%
Gross profit	**145,277**	151,488	(6,211)	-4.1%
Profit attributable to equity holders of the Company	**68,463**	48,244	20,219	+41.9%
	HK cents per share			
Basic earnings per share	**5.35**	3.78		
Diluted earnings per share	**5.29**	3.78		

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 2014, together with the comparative figures for the previous year, as follows:

Consolidated Income Statement
For the year ended 31 March

	Note	**2014** **HK$'000**	2013 *HK$'000*
Revenue	*3*	**351,380**	461,185
Cost of sales	*7*	**(206,103)**	(309,697)
Gross profit		**145,277**	151,488
Other income	*5*	**1,683**	2,021
Other gains — net	*6*	**2,134**	14,421
Selling expenses	*7*	**(19,251)**	(17,479)
Administrative expenses	*7*	**(73,591)**	(84,914)
Increase in fair values of investment properties and investment properties under construction		**80,950**	46,638
Operating profit		**137,202**	112,175
Finance income		**5,077**	15,129
Finance costs		**(4,932)**	(15,250)
Finance income/(costs) — net		**145**	(121)
Share of profit of an associate		**29**	23
Profit before income tax		**137,376**	112,077
Income tax expense	*8*	**(51,780)**	(47,810)
Profit for the year		**85,596**	64,267
Attributable to:			
Equity holders of the Company		**68,463**	48,244
Non-controlling interests		**17,133**	16,023
		85,596	64,267
Earnings per share attributable to equity holders of the Company	*10*		
Basic		**5.35 HK cents**	3.78 HK cents
Diluted		**5.29 HK cents**	3.78 HK cents

Consolidated Statement of Comprehensive Income
For the year ended 31 March

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**85,596**	64,267
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange difference on translation of foreign operations	**17,660**	–
Increase in fair value of leasehold land and buildings, net of deferred income tax	**564**	9,447
Other comprehensive income for the year	**18,224**	9,447
Total comprehensive income for the year, net of tax	**103,820**	73,714
Attributable to:		
Equity holders of the Company	**80,737**	57,691
Non-controlling interests	**23,083**	16,023
	103,820	73,714

Consolidated Balance Sheet
As at 31 March

	Note	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**996,515**	902,342
Investment properties under construction		**67,536**	64,452
Property, plant and equipment		**123,635**	126,712
Prepaid lease payments		**154**	162
Prepayments		**348**	969
Investment in an associate		**176**	144
Deferred income tax assets		**3,067**	1,695
		1,191,431	1,096,476
Current assets			
Inventories		**78,282**	76,771
Properties under development		**142,752**	–
Completed properties held for sale		**186,291**	208,840
Trade and other receivables	*11*	**103,576**	148,498
Financial assets at fair value through profit or loss		**21,775**	28,396
Current income tax recoverable		**7**	1,938
Cash and cash equivalents		**392,355**	440,770
		925,038	905,213

Consolidated Balance Sheet — *Continued*
As at 31 March

	Note	2014 *HK$'000*	2013 *HK$'000*
Current liabilities			
Trade and other payables	*12*	**408,494**	387,711
Current income tax liabilities		**116,704**	108,987
Borrowings		**125,400**	216,900
Amount due to an associate		**2,961**	2,581
		653,559	716,179
Net current assets		**271,479**	189,034
Total assets less current liabilities		**1,462,910**	1,285,510
Non-current liabilities			
Deferred income tax liabilities		**213,602**	171,968
Borrowings		**175,600**	110,700
		389,202	282,668
Net assets		**1,073,708**	1,002,842
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**128,019**	128,019
Reserves			
— Proposed dividends	*9*	**–**	25,604
— Others		**799,617**	709,471
		927,636	863,094
Non-controlling interests		**146,072**	139,748
Total equity		**1,073,708**	1,002,842

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which include 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 ("HKICPA"), accounting principles generally accepted in Hong Kong, disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Main Board Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, investment properties, investment properties under construction and leasehold land and buildings, which are carried at fair values. These policies have been consistently applied to all the years presented unless otherwise stated.

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

(a) New standards, revisions and amendments to existing standards effective for annual periods beginning 1 April 2013, relevant to the Group's operations and adopted by the Group:

Amendment to HKAS 1	Presentation of financial statements
Amendment to HKFRS 7	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, 11 and 12	Transition guidance
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HKFRS 10	Consolidated financial statements
HKFRS 12	Disclosures of interests in other entities
HKFRS 13	Fair value measurement
Amendment and Improvements to HKFRSs	Annual improvements to HKFRS 2009–2011 cycle

The adoption of the above new standards, revisions and amendments to existing standards did not have any material impact on the preparation of the Group's financial statements.

(b) New standards, amendments to existing standards and interpretations which have been issued but are not effective for the financial year beginning on 1 April 2013 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendment to HKAS 32	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
Amendment to HKAS 19	Defined benefit plans	1 July 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Consolidation for investment entities	1 January 2014
Amendment to HKFRS 7 and HKFRS 9	Mandatory Effective Date and Transition Disclosures	1 January 2015
Amendment to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle	1 July 2014
Amendment to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle	1 July 2014
Amendment to HKAS 36	Recoverable amount disclosures for non-financial assets	1 January 2014
Amendment to HKAS 39	Financial Instruments: Recognition and measurement — Novation of derivatives	1 January 2014
HKFRS 9	Financial instruments	Effective date to be determined
HKFRS 14	Regulatory deferral accounts	1 January 2016
HK(IFRIC)-Int 21	Levies	1 January 2014

The Group is assessing the impact of these standards, amendments and interpretations and does not anticipate that the adoption will result in any material impact on the Group's results of operation and financial position.

The Group intends to adopt the above standards, amendments and interpretations when they become effective.

3. REVENUE

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.

	2014	2013
	HK$'000	*HK$'000*
Sales of pearls and jewellery	**268,473**	261,411
Sales of properties	**39,426**	159,375
Rental income	**43,481**	40,399
	351,380	461,185

4. SEGMENT INFORMATION

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

The Group has two reportable operating segments. The Group's operating businesses are structured and managed separately according to the nature of the operations and the product perspectives. Each of the Group's reportable operating 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:

(i) Pearls and jewellery — Purchasing, processing, designing, production and wholesale distribution of pearls and jewellery.

(ii) Property — Development, sales and leasing of properties.

Segment information about these businesses is presented below:

For the year ended 31 March 2014:

	Pearls and jewellery *HK$'000*	**Property** *HK$'000*	**Total** *HK$'000*
Profit and loss items			
Segment revenue	**268,473**	**84,297**	**352,770**
Inter-segment revenue	**–**	**(1,390)**	**(1,390)**
Revenue from external customers	**268,473**	**82,907**	**351,380**
Segment operating profit	**29,466**	**114,262**	**143,728**
Finance income	**585**	**4,492**	**5,077**
Finance costs	**–**	**(989)**	**(989)**
Share of profit of an associate	**–**	**29**	**29**
Segment profit before income tax	**30,051**	**117,794**	**147,845**
Income tax expense	**(1,990)**	**(49,790)**	**(51,780)**
Segment profit for the year	**28,061**	**68,004**	**96,065**
As at 31 March 2014			
Balance sheet items			
Total segment assets	**329,424**	**1,753,981**	**2,083,405**
Total segment assets include:			
Investment in an associate	**–**	**176**	**176**
Additions to non-current assets (other than deferred income tax assets)	**3,019**	**50**	**3,069**
Total segment liabilities	**34,992**	**866,526**	**901,518**
Other information:			
Depreciation	**(3,014)**	**(3,942)**	**(6,956)**
Amortisation	**–**	**(8)**	**(8)**
Increase in fair values of investment properties and investment properties under construction	**–**	**80,950**	**80,950**
Gain on disposals of property, plant and equipment	**80**	**64**	**144**
Reversal of provision for impairment of trade receivables	**6,797**	**–**	**6,797**
Provision for inventory obsolescence	**(1,357)**	**–**	**(1,357)**

For the year ended 31 March 2013:

	Pearls and jewellery *HK$'000*	Property *HK$'000*	Total *HK$'000*
Profit and loss items			
Segment revenue	261,411	200,944	462,355
Inter-segment revenue	–	(1,170)	(1,170)
Revenue from external customers	261,411	199,774	461,185
Segment operating profit	11,201	104,530	115,731
Finance income	648	13,578	14,226
Finance costs	–	(12,496)	(12,496)
Share of profit of an associate	–	23	23
Segment profit before income tax	11,849	105,635	117,484
Income tax expense	(1,154)	(46,752)	(47,906)
Segment profit for the year	10,695	58,883	69,578
As at 31 March 2013			
Balance sheet items			
Total segment assets	348,855	1,617,144	1,965,999
Total segment assets include:			
Investment in an associate	–	144	144
Additions to non-current assets (other than deferred income tax assets)	2,480	90	2,570
Total segment liabilities	33,627	784,466	818,093
Other information:			
Depreciation	(4,801)	(2,874)	(7,675)
Amortisation	–	(8)	(8)
Impairment loss on prepaid lease payment	–	(5,704)	(5,704)
Increase in fair values of investment properties and investment properties under construction	–	46,638	46,638
Gain on disposals of investment properties and investment properties under development	–	9,577	9,577
Gain on disposals of property, plant and equipment	407	–	407
Reversal of provision for impairment of trade receivables	3,763	–	3,763
Reversal of provision for inventory obsolescence	3,636	–	3,636

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

	2014	2013
	HK$'000	*HK$'000*
Total profit before income tax for reportable segments	**147,845**	117,484
Fair value change in financial assets at fair value through profit or loss	**(2,991)**	4,933
Dividend income	**1,231**	1,590
Share options expenses	**(171)**	(379)
Loss on disposal of subsidiaries	**(1)**	(2,814)
Corporate finance costs, net	**(3,943)**	(1,851)
Corporate expenses	**(4,594)**	(6,886)
Profit before income tax of the Group	**137,376**	112,077

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

	2014	2013
	HK$'000	*HK$'000*
Total for reportable segments	**2,083,405**	1,965,999
Unallocated:		
Corporate assets	**11,289**	6,303
Financial assets at fair value through profit or loss	**21,775**	28,396
Current income tax recoverable	**–**	991
Total assets of the Group	**2,116,469**	2,001,689

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

	2014	2013
	HK$'000	*HK$'000*
Total for reportable segments	**901,518**	818,093
Unallocated:		
Corporate liabilities	**141,243**	180,754
Total liabilities of the Group	**1,042,761**	998,847

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$21,317,000 (2013: HK$26,487,000) and HK$330,063,000 (2013: HK$434,698,000) respectively.

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

	2014	2013
	HK$'000	*HK$'000*
Europe	**83,576**	106,267
Mainland China (excluding Hong Kong)	**109,435**	196,641
Hong Kong	**21,317**	26,487
North America	**79,800**	67,472
Other Asian countries	**49,768**	55,612
Others	**7,484**	8,706
	351,380	461,185

The total 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$216,725,000 (2013: HK$202,825,000) and HK$971,463,000 (2013: HK$891,812,000) respectively.

Revenue from the transactions with each single customer amounted to less than 10% of total revenue of the Group for the years ended 31 March 2014 and 2013.

5. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Dividend income from financial assets at fair value through profit or loss	**1,231**	1,590
Others	**452**	431
	1,683	2,021

6. OTHER GAINS — NET

	2014	2013
	HK$'000	*HK$'000*
Exchange losses	**(407)**	(1,679)
Fair value change in financial assets at fair value through profit or loss	**(2,991)**	4,933
Gain on disposals of investment properties and investment properties under development	**–**	9,577
Gain on disposals of property, plant and equipment	**144**	407
Loss on disposal of subsidiaries	**(1)**	(2,814)
Others	**5,389**	3,997
	2,134	14,421

7. EXPENSES BY NATURE

	2014	2013
	HK$'000	*HK$'000*
Costs of inventories and completed properties for sales	**164,402**	270,565
Employee benefit expenses (including directors' emoluments)	**81,540**	77,886
Auditor's remuneration	**2,080**	1,848
Depreciation of property, plant and equipment	**6,956**	7,675
Amortisation of prepaid lease payments	**8**	8
Impairment loss on prepaid lease payments	**–**	5,704
Reversal of provision for impairment of trade receivables *(note 11)*	**(6,797)**	(3,763)
Provision/(Reversal of provision) for inventory obsolescence	**1,357**	(3,636)
Operating lease rental on rented premises	**8,470**	9,202
Others	**40,929**	46,601
Total cost of sales, selling and administrative expenses	**298,945**	412,090

8. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current income tax:		
Hong Kong profits tax	**2,832**	764
PRC corporate income tax	**9,727**	16,883
PRC land appreciation tax	**3,799**	9,184
	16,358	26,831
(Over)/under-provision in prior year:		
Hong Kong profits tax	**589**	(137)
PRC corporate income tax	**(490)**	(3,006)
	99	(3,143)
Deferred income tax:		
Net charge to current year	**35,323**	24,122
	51,780	47,810

Hong Kong profits tax

Hong Kong profits tax has been provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year.

PRC corporate income tax

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

Withholding tax on distributed/undistributed profits

The PRC tax law imposes a withholding tax at 10%, unless reduced by a tax treaty, for dividends distributed by PRC subsidiaries to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008.

PRC land appreciation tax

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

9. DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2014. For the year ended 31 March 2013, interim dividend, special interim dividend and final dividend of 1 HK cent per share (totalling HK$12,802,000), 15 HK cents per share (totalling HK$192,028,000) and 2 HK cents per share (totalling HK$25,604,000), respectively, were declared and paid to shareholders.

The dividend paid during the year ended 31 March 2014 was HK$25,604,000 (2013: HK$486,472,000).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of approximately HK$68,463,000 (2013: HK$48,244,000) and the weighted average number of 1,280,190,000 (2013: 1,275,930,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount for the year ended 31 March 2014 is based on the profit for the year attributable to equity holders of the Company of approximately HK$68,463,000 and 1,293,734,000 ordinary shares, which represented the weighted average number of 1,280,190,000 ordinary shares in issue during the year and the weighted average number of 13,544,000 ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the year.

Basic earnings per share and diluted earnings per share are the same for the year ended 31 March 2013 as the conversion of convertible instruments are antidilutive.

11. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**76,001**	79,877
Less: provision for impairment of trade receivables	**(14,764)**	(21,537)
Trade receivables — net	**61,237**	58,340
Deposits, prepayments and other receivables	**42,339**	90,158
	103,576	148,498

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, are 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 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, 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:

	2014	2013
	HK$'000	*HK$'000*
At beginning of the year	**21,537**	29,060
Exchange differences	**24**	–
Reversal of provision for impairment losses	**(6,797)**	(3,763)
Amounts written off as uncollectible	**–**	(3,760)
At end of the year	**14,764**	21,537

Included in trade and other receivables of the Group are trade receivables of HK$76,001,000 (2013: HK$79,877,000) and their ageing analysis based on due date is as follows:

	2014	2013
	HK$'000	*HK$'000*
Not past due	**17,344**	18,695
1 to 60 days past due	**31,143**	24,651
61 to 120 days past due	**8,464**	5,507
More than 120 days past due	**19,050**	31,024
	76,001	79,877

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 2014, trade receivables of HK$43,893,000 (2013: HK$39,645,000) 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:

	2014	2013
	HK$'000	*HK$'000*
1 to 60 days past due	**31,143**	24,651
61 to 120 days past due	**7,767**	3,489
More than 120 days past due	**4,983**	11,505
	43,893	39,645

As of 31 March 2014, trade receivables of HK$14,764,000 (2013: HK$21,537,000) 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:

	2014	2013
	HK$'000	*HK$'000*
91 to 120 days past due	**697**	2,018
More than 120 days past due	**14,067**	19,519
	14,764	21,537

12. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**6,586**	8,413
Loans from minority shareholders *(note)*	**86,938**	96,716
Advance receipts from customers	**94,173**	68,567
Other accruals and other payables	**220,797**	214,015
	408,494	387,711

Note: The loans from minority shareholders are interest-free, unsecured and have no fixed repayment terms.

The ageing analysis of trade payables based on due date is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 to 60 days past due	**6,227**	6,753
61 to 120 days past due	**50**	480
More than 120 days past due	**309**	1,180
	6,586	8,413

13. CAPITAL COMMITMENT

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided for in the consolidated financial statements:		
Construction of property and land acquisition	**108,769**	25,821
Purchase of property, plant and equipment	**770**	770
	109,539	26,591

SCOPE OF WORK OF THE GROUP'S AUDITOR

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 March 2014 have been agreed by the Company's auditor, PricewaterhouseCoopers ("PwC"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on the preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 July 2014 to Friday, 25 July 2014 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 22 July 2014.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 25 July 2014, 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

Financial Overview

The board of directors (the "Board") of Man Sang International Limited (the "Company") is pleased to report the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2014 ("FY14"). During FY14, the consolidated profit attributable to equity holders of the Company was HK$68.5 million (year ended 31 March 2013 ("FY13"): HK$48.2 million), representing an increase of 42.1% as compared with that in FY13. Basic earnings per share was 5.35 HK cents (FY13: 3.78 HK cents), representing an increase of 41.5% as compared with that in FY13.

Business Review

During the year, the global economy continued to be influenced by different political and economic uncertainties. Notwithstanding this, our business in pearls and jewellery was maintained steadily during the year by leveraging our competitive strengths which comprise of close and stable relationship with customers and suppliers, a vertically integrated product chain and renowned reputation in the pearls and jewellery industry.

With our continued effort on cost control measures, we managed to maintain our profit margin and the competitiveness in the market, despite the continuous surge in the operating expenses in the People's Republic of China (the "PRC") including but not limited to wages and material costs.

The Group is dedicated to promote our products to our corporate retailing customers by regularly attending trade shows. During the year, we have participated in eight trade shows around the world and achieved successful results in strengthening the relationship with existing customers and establishing new customers.

The Group has established our own design and engineering team for the business of jewellery, particularly on ODM basis. A CAD computer aided team was established to transform the 2-dimensional designs to 3-dimensional digital images. With these 3D digital images, the Group's designers and jewellery craftsmen are able to better visualize the final products and make necessary adjustments. This will enhance the efficiency of technical planning and production process.

The Group has established a prestigious showroom in our headquarter in Hong Kong to showcase our products to the customers and sales directly to high-end boutique retailers and customers from overseas and Mainland China. The Group has a strategy to build up a stronger market reputation associated with the high quality, new and fashionable products and performs internet sales through our online stores at certain E-commerce platforms.

For the property sector, the revenue generated from sales of properties in the China Pearls and Jewellery City ("CP&J City") decreased as a result of the completion of residential apartments and factory buildings in FY13 where significant contracted sales were recognised in FY13 and no new property was completed in FY14. Rental income contributed by CP&J City continued to grow due to the improvement in rental rates during the year.

The Group is in the process of completing the construction of two residential apartments and a commercial complex in CP&J City which are expected to be completed in December 2014 and March 2015, respectively. Thereafter, the Group will develop a hotel which represents the last building construction of phase 1 of the CP&J City, however, the timing of which has yet to be determined.

Besides, the Group is also planning to roll out phase 2 of the development of CP&J City. The Group is in the process of negotiating with the local government about the development plan and the proposed acquisition is subject to auction/tender processes. It is preliminarily proposed that phase 2 of CP&J City will comprise residential apartments, commercial buildings and a market centre, however the development plan may be amended subject to the finalization of the negotiation which shall be agreed upon by both the Group and the PRC local government.

Financial Review

The Group currently has two major lines of businesses: (i) purchasing, processing, designing, production and wholesale distribution of pearls and jewellery (the "Pearl and Jewellery Segment"); and (ii) property development and investment (the "Property Segment").

Revenue and Gross Profit

Pearl and Jewellery Segment

Net sales attributable to the Pearl and Jewellery Segment increased by HK$7.1 million or 2.7% from HK$261.4 million for FY13 to HK$268.5 million for FY14. Such increase was primarily attributable to an increase in net sales of freshwater pearls and saltwater pearls. Saltwater pearls contributed HK$81.3 million (FY13: HK$73.3 million) to the Group's net sales in FY14, representing an increase of HK$8.0 million from FY13. Wholesale distribution of jewellery contributed substantially to the Group's net sales in FY14 with HK$163.5 million (FY13: HK$176.0 million), representing a decrease of HK$12.5 million from FY13. Such decrease was mainly due to an increasing competition and adverse macroeconomic conditions, particularly in Europe.

Net sales of saltwater pearls and jewellery accounted for 30.3% (FY13: 28.0%) and 60.9% (FY13: 67.3%) of the total net sales, respectively to the Pearl and Jewellery Segment in FY14.

During the year, net sales in North America increased by HK$12.3 million or 18.2% to HK$79.8 million, as compared to HK$67.5 million in FY13. Net sales in Mainland China (including Hong Kong) and other Asian countries were HK$97.6 million in FY14, representing an increase of 23.5%, as compared to HK$79.0 million in FY13. Net sales in Europe were HK$83.6 million, representing a decrease of 21.4% as compared to HK$106.3 million in FY13.

Gross profit increased by HK$12.7 million or 15.4% to HK$95.2 million in FY14 (FY13: HK$82.5 million). The increase was mainly due to an increase in gross profit margin by 3.9 percentage points during FY14 (FY14: 35.5%; FY13: 31.6%). The increase in gross profit margin was mainly attributable to the improved production efficiency and the sale of certain aged inventories which had been fully provided for in prior years.

Property Segment

Revenue from the Property Segment was HK$82.9 million (FY13: HK$199.8 million) during FY14, which comprised sales of properties of HK$39.4 million (FY13: HK$159.4 million) and rental income of HK$43.5 million (FY13: HK$40.4 million). CP&J City continues to contribute the most to the performance in the Property Segment, which accounted for 81.4% (FY13: 93.3%) of total revenue to the Property Segment in FY14.

The revenue from sales of properties mainly represented sales of residential apartments in CP&J City which were completed in FY13. As a result of the significant sales of these properties in FY13, revenue from sales of properties decreased by HK$120.0 million or 75.3% to HK$39.4 million (FY13: HK$159.4 million) in FY14. Rental income increased by HK$3.1 million or 7.7% to HK$43.5 million (FY13: HK$40.4 million) in FY14 as a result of the upward adjustment in rental rates for the existing tenants.

Gross profit attributable to the Property Segment decreased by HK$19.0 million or 27.5% to HK$50.0 million (FY13: HK$69.0 million) in FY14 as a result of the decrease in sales of residential apartments as mentioned above. The gross profit margin increased by 25.8 percentage points to 60.3% in FY14 from 34.5% in FY13, which was mainly due to a one-off impairment of certain prepaid land leases of HK$5.7 million in FY13.

Selling and Administrative Expenses (the "S&A expenses")

S&A expenses mainly comprised selling expenses of HK$19.2 million (FY13: HK$17.5 million) and administrative expenses of HK$73.6 million (FY13: HK$84.9 million). S&A expenses decreased by HK$9.6 million or 9.4% to HK$92.8 million (FY13: HK$102.4 million) in FY14, as a result of the improvement in cost control effectively implemented by the Group during the year.

Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company increased by HK$20.3 million or 42.1% to HK$68.5 million (FY13: HK$48.2 million) in FY14.

Material Acquisition

During the year, the Group acquired an additional 3.85% equity interests in CP&J City together with the related shareholder's loan in the amount of HK$9.8 million at a consideration of HK$17.3 million. Subsequent to this acquisition, the Group increased the equity interest in CP&J City from 62% to 65.85%.

Liquidity and Capital Resources

As at 31 March 2014, the Group's total equity, including non-controlling interests, was HK$1,073.7 million (2013: HK$1,002.8 million), representing an increase of 7.1% from last year.

As at 31 March 2014, the Group had cash and bank balances of HK$392.4 million (2013: HK$440.8 million). Cash and bank balances were mainly denominated in United States dollars, Hong Kong dollars and Chinese Renminbi. The Group's working capital or net current assets were HK$271.5 million (2013: HK$189.0 million). The current ratio, represented by the current assets divided by the current liabilities, was 1.4 (2013: 1.3).

As at 31 March 2014, the Group's total borrowings, which were denominated in Hong Kong dollars and Chinese Renminbi, were HK$301.0 million (2013: HK$327.6 million) and were interest-bearing. The Group does not currently use any derivatives to manage interest rate risk. Gearing ratio, representing total borrowings divided by total equity, was 0.28 (2013: 0.33).

As at 31 March 2014, the Group had available banking facilities of HK$243.0 million (2013: HK$289.4 million) with various banks, of which the unused banking facilities amounted to HK$55.4 million (2013: HK$109.4 million). With the committed unused banking facilities in place and available cash and cash equivalents, the Group has adequate financial resources to meet the anticipated future liquidity requirements and capital expenditure commitment.

The Group's borrowings and banking facilities were secured by certain leasehold property and investment properties with an aggregate carrying amount of HK$544.0 million (2013: HK$442.5 million).

Treasury Policy

The Group principally operates its businesses in Hong Kong and Mainland China. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollars and Chinese Renminbi, which were the major foreign currencies transacted by the Group during FY13 and FY14.

Since Hong Kong dollars remain pegged to the United States dollars within a defined range, the Group is not exposed to any significant foreign exchange risk against the United States dollars. The Group has subsidiaries operating in Mainland China, in which most of their transactions, including revenue, expenses and other financing activities, are denominated in Chinese Renminbi. The Group is not exposed to any significant foreign exchange transaction risk in relation to Chinese Renminbi and has not entered into any foreign exchange contract as hedging measures.

Notwithstanding the above, the Group is subject to foreign currency risk arising from certain transactions which are dominated in other currencies, such as Euro. The Group manages its foreign currency risk against other currencies by closely monitoring the movement of the foreign currency rates and may use hedging derivative, such as foreign currency forward contract, to manage its foreign currency risk as appropriate.

Financial guarantees

As at 31 March 2014, the Group had contingent liabilities of HK$27.4 million (2013: HK$85.3 million) in respect of guaranteeing the mortgage for certain purchasers of properties in CP&J City under mortgage collaboration agreements with a bank in the PRC.

Human Resources

As at 31 March 2014, the Group had a total workforce of 720 (2013: 914), of whom 56 (2013: 59) were based in Hong Kong. The total staff cost, including directors' emoluments, share options benefit and mandatory provident fund, was approximately HK$81.5 million (2013: HK$77.9 million). Employees were remunerated on the basis of their performance and experience. Remuneration packages, including salary and year-end discretionary bonus, were determined by reference to market conditions and individual performance.

POTENTIAL SPIN-OFF AND SEPARATE LISTING

Reference is made to the Company's announcement dated 17 February 2014 in relation to, among other things, the potential spin-off and separate listing of the Group's pearl and jewellery business (the "Potential Spin-Off and Separate Listing") on the Main Board of the Stock Exchange. As at the date of this announcement, preparation for the Potential Spin-Off and Separate Listing is underway and certain professional parties have been engaged to explore the feasibility of the Potential Spin-Off and Separate Listing, however no listing application has been made to the Stock Exchange. Further announcement(s) setting out the progress of the Potential Spin-Off and Separate Listing, will be made by the Company as and when necessary in accordance with the Main Board Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 March 2014. To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman or the Deputy Chairman in writing and obtain a written acknowledgement from the Chairman or the Deputy Chairman prior to any dealings in the Securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from all three Independent Non-Executive Directors, namely Mr. Fung Yat Sang, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex in accordance with Rule 3.13 of the Listing Rules.

Mr. Lau Chi Wah, Alex and Mr. Kiu Wai Ming had served the Board of the Company for more than nine years. They have clearly demonstrated their willingness to exercise independent judgement and to provide objective challenges to the management. There is no evidence that length of tenure is having an adverse impact on their independence. The Board therefore considers that Mr. Lau Chi Wah, Alex and Mr. Kiu Wai Ming remain independent, notwithstanding the length of their tenure.

The Board has reviewed the independence of all Independent Non-Executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the Independent Non-Executive Directors has been impaired up to the date of this announcement.

AUDIT COMMITTEE

The audit committee, which comprises all 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 the consolidated financial statements of the Group for the year ended 31 March 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2014.

CORPORATE GOVERNANCE

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

According to the code provision A.4.1 as set out in the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Although all three Independent Non-Executive Directors, namely Mr. Fung Yat Sang, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex have not been appointed for a specific term, they will all retire at the annual general meeting at least once every three years and will be eligible for re-election in accordance with the CG Code. In the opinion of the Directors, the retirement of each Non-Executive Director at the annual general meeting at least once every three years shall have the same effect of appointing them with a specific term of three years.

Save as the deviation from the code provision A.4.1 of the CG Code as mentioned above, in the opinion of the directors of the Company (the "Director(s)"), the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 March 2014 and, where appropriate, the applicable recommended best practices of the CG Code.

PROSPECTS

Looking forward, the ongoing uncertainties of the global economy will continue to constrain overall customer demand. In addition, the operating environment for manufacturing in Mainland China remains challenging with increases in wages, inflation and appreciation of the Chinese Renminbi. Nevertheless, management will remain prudent and observant in managing the Group's investment portfolio and businesses to minimise these adverse impacts. On the other hand, the Group will continue to explore new business opportunities so arising in order to maximise shareholder's value in the future, in both the pearl and jewellery sector and the property sector.

BOARD OF DIRECTORS

As at the date hereof, the executive directors of the Company are Mr. Cheng Tai Po (Deputy Chairman), Ms. Yan Sau Man, Amy and Ms. Cheng Ka Man, Carman; the non-executive director of the Company is Mr. Cheng Chung Hing (Chairman); whilst the independent non-executive directors of the Company are Mr. Fung Yat Sang, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex.

By Order of the Board
MAN SANG INTERNATIONAL LIMITED
Leung Alex
Company Secretary

Hong Kong, 20 May 2014

Remark:

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.