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MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

The board of directors (the “Board”) of Man Sang International Limited (the “Company”) is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2014, together with the unaudited comparative figures for the corresponding period in the year 2013.

	Six months ended 30 September		Decrease	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)	<i>HK\$'000</i>	<i>Percentage</i>
Continuing operation				
Revenue	27,909	35,800	7,891	22.0%
Gross profit	25,372	26,012	640	2.5%
Gross profit margin	91%	73%		
Profit attributable to equity holders of the Company	1,835	19,444	17,609	90.6%
Discontinued operation (Note)				
Profit attributable to equity holders of the Company	5,142	10,823	5,681	52.5%

Note: The Group has successfully spun-off Man Sang Jewellery Holdings Limited (“MS Jewellery”) through a distribution in specie to the Company’s shareholders. MS Jewellery and its subsidiaries are engaged in the pearls and jewellery business. MS Jewellery was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17 October 2014 by way of introduction. Accordingly, the pearls and jewellery business is classified as a discontinued operation of the Group as at 30 September 2014. The assets and liabilities of the pearls and jewellery business have been classified as held for distribution to equity holders as at 30 September 2014, and the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the six months ended 30 September 2013 have been restated accordingly.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2014

		Six months ended	
		30 September	
	<i>Note</i>	2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(Restated)
Continuing operation			
Revenue	3	27,909	35,800
Cost of sales		<u>(2,537)</u>	<u>(9,788)</u>
Gross profit		25,372	26,012
Other income		872	1,366
Other gains/(losses), net		4,935	(448)
Selling expenses		(2,653)	(1,965)
Administrative expenses		(18,681)	(9,199)
Increase in fair values of investment properties		<u>–</u>	<u>21,919</u>
Operating profit	5	9,845	37,685
Finance income		2,256	598
Finance cost		<u>(1,570)</u>	<u>(2,148)</u>
Finance income/(cost), net		686	(1,550)
Share of profit of an associate		<u>8</u>	<u>15</u>
Profit before income tax		10,539	36,150
Income tax expense	6	<u>(5,856)</u>	<u>(13,542)</u>
Profit for the period from continuing operation		4,683	22,608
Discontinued operation			
Profit for the period from discontinued operation	11	<u>5,142</u>	<u>10,823</u>
Profit for the period		<u>9,825</u>	<u>33,431</u>

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 September 2014

	Six months ended	
	30 September	
	2014	2013
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit attributable to equity holders of the Company:		
— from continuing operation	1,835	19,444
— from discontinued operation	5,142	10,823
	<hr/> 6,977	<hr/> 30,267
Profit attributable to non-controlling interests:		
— from continuing operation	2,848	3,164
— from discontinued operation	—	—
	<hr/> 2,848	<hr/> 3,164
Profit for the period	<hr/> 9,825	<hr/> 33,431
Earnings per share attributable to equity holders of the Company		
	8	
Basic		
— from continuing operation	0.14 HK cents	1.52 HK cents
— from discontinued operation	0.40 HK cents	0.84 HK cents
	<hr/> 0.54 HK cents	<hr/> 2.36 HK cents
Diluted		
— from continuing operation	0.14 HK cents	1.50 HK cents
— from discontinued operation	0.40 HK cents	0.83 HK cents
	<hr/> 0.54 HK cents	<hr/> 2.33 HK cents

Details of dividend to the equity holders of the Company are set out in note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Profit for the period	9,825	33,431
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Exchange difference on translation of foreign operations	–	15,675
Increase in fair value of leasehold land and buildings, net of deferred income tax	1,384	1,758
Other comprehensive income for the period, net of tax	1,384	17,433
Total comprehensive income for the period	11,209	50,864
Attributable to:		
Equity holders of the Company	8,361	41,862
Non-controlling interests	2,848	9,002
	11,209	50,864
Total comprehensive income attributable to equity holders of the Company for the period arising from:		
Continuing operation	2,102	23,080
Discontinued operation	6,259	18,782
	8,361	41,862

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2014

	30 September	31 March
	2014	2014
<i>Note</i>	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	996,515	996,515
Investment properties under construction	67,536	67,536
Property, plant and equipment	27,092	123,635
Prepaid lease payments	154	154
Prepayments	174	348
Investment in an associate	184	176
Deferred income tax assets	–	3,067
	1,091,655	1,191,431
Current assets		
Inventories	–	78,282
Properties under development	190,098	142,752
Completed properties held for sale	185,349	186,291
Trade and other receivables	32,513	103,576
Financial assets at fair value through profit or loss	15,328	21,775
Current income tax recoverable	7	7
Cash and cash equivalents	232,713	392,355
	656,008	925,038
Assets of disposal group classified as held for distribution to equity holders	359,429	–
	1,015,437	925,038
Current liabilities		
Trade and other payables	403,274	408,494
Current income tax liabilities	115,951	116,704
Borrowings	157,800	125,400
Amount due to an associate	3,285	2,961
	680,310	653,559
Liabilities of disposal group classified as held for distribution to equity holders	101,990	–
	782,300	653,559

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 30 September 2014*

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Net current assets	233,137	271,479
Total assets less current liabilities	1,324,792	1,462,910
Non-current liabilities		
Deferred income tax liabilities	202,039	213,602
Borrowings	37,800	175,600
	239,839	389,202
Net assets	1,084,953	1,073,708
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	128,019	128,019
Reserves	808,014	799,617
	936,033	927,636
Non-controlling interests	148,920	146,072
Total equity	1,084,953	1,073,708

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 September 2014 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

As discussed in notes 11 and 12, in June 2014, the Group has committed to, and initiated an exercise for the Spin-off. The Spin-off was subsequently completed on 17 October 2014.

As at 30 September 2014, the directors of the Company considered that it was highly probable that the Pearls and Jewellery Business would be distributed to the Company’s shareholders within the next twelve months. As a result, the Pearls and Jewellery Business was classified as disposal group held for distribution as at that date and presented as a discontinued operation in this interim financial information. Accordingly, the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the six months ended 30 September 2013 have been restated to present such business as discontinued operation and the assets and liabilities attributable to the Pearls and Jewellery Business have been classified as disposal group held for distribution to equity holders and are presented separately in the condensed consolidated balance sheet as at 30 September 2014. Such re-presentation has no impact on the condensed consolidated balance sheet as at 31 March 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, accounting policies applied in the preparation of the interim consolidated financial information are consistent with those of the annual financial statements for the year ended 31 March 2014, as described in those annual financial statements.

The Group has adopted Amendment to HKAS 32 “Financial instruments: Presentation on asset and liability offsetting”, Amendment to HKFRS 10, 12 and HKAS 27 “Consolidation for investment entities” and Amendment to HKAS 36 “Impairment of assets on recoverable amount disclosures” that are effective for the first time for the current interim period. Management has made an assessment on the impact of adoption of these amendments to standards, and determined that there was no material impact on the Group’s results and financial position.

Other amendments to standards or new interpretations effective for the financial year ending 31 March 2015 do not have a material impact on the Group.

Change in accounting policy

There are no HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have material impact on the Group.

Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2014.

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; and (iii) the amounts received and receivable in respect of leasing of investment properties.

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Continuing operation:		
Sales of properties	2,017	14,413
Rental income	<u>25,892</u>	<u>21,387</u>
	<u>27,909</u>	<u>35,800</u>
Discontinued operation:		
Sales of pearls and jewellery	<u>153,850</u>	<u>131,231</u>
Total revenue	<u>181,759</u>	<u>167,031</u>

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

- (i) Pearls and jewellery — Purchasing, processing, designing, production, wholesale distribution of pearls and jewellery products.
- (ii) Property — Development, investment, sales and leasing of properties.

As discussed in Note 11, subsequent to the Spin-off, the Group no longer carried on the Pearls and Jewellery Business and the pearls and jewellery segment was classified as discontinued operation of the Group for the six months ended 30 September 2014.

	Continuing operation— Property HK\$'000	Discontinued operation— Pearls and jewellery HK\$'000	Total HK\$'000
Six months ended 30 September 2014			
Total segment revenue	28,905	153,850	182,755
Inter-segment revenue	<u>(996)</u>	<u>—</u>	<u>(996)</u>
Revenue from external customers	<u>27,909</u>	<u>153,850</u>	<u>181,759</u>
Segment profit	<u>17,881</u>	<u>8,116</u>	<u>25,997</u>

4. SEGMENT INFORMATION (CONTINUED)

	Continuing operation– Property <i>HK\$'000</i>	Discontinued operation– Pearls and jewellery <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 September 2013			
Total segment revenue	36,433	131,231	167,664
Inter-segment revenue	(633)	–	(633)
Revenue from external customers	<u>35,800</u>	<u>131,231</u>	<u>167,031</u>
Segment profit (<i>note</i>)	<u>39,795</u>	<u>11,959</u>	<u>51,754</u>

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

	Six months ended 30 September	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Total profit before income tax for reportable segments	25,997	51,754
Fair value change in financial assets at fair value through profit or loss	3,995	(998)
Dividend income	872	917
Share option expenses	(36)	(87)
Corporate expenses, net	(12,173)	(3,477)
Profit before income tax	<u>18,655</u>	<u>48,109</u>

Note: The amounts for the period ended 30 September 2013 have been restated in order to conform with the current period's presentation in relation to discontinued operation for segment reporting purpose.

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

	Property <i>HK\$'000</i>	Disposal group – Pearls and jewellery <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 September 2014			
Total assets for reportable segments	<u>1,666,060</u>	<u>359,429</u>	2,025,489
Corporate assets			66,275
Financial assets at fair value through profit or loss			<u>15,328</u>
Total assets			<u>2,107,092</u>

4. SEGMENT INFORMATION (CONTINUED)

	Property <i>HK\$'000</i>	Pearls and jewellery <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 March 2014			
Total assets for reportable segments	<u>1,753,981</u>	<u>329,424</u>	2,083,405
Corporate assets			11,289
Financial assets at fair value through profit or loss			<u>21,775</u>
Total assets			<u><u>2,116,469</u></u>

5. OPERATING PROFIT

An analysis of the amounts presented as operating items charged/(credited) in the financial information is given below.

	Continuing operation		Discontinued operation	
	Six months ended 30 September		Six months ended 30 September	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value change in financial assets at fair value through profit or loss	(3,995)	998	–	–
Staff costs, including directors emoluments	7,352	6,149	31,495	29,957
Reversal of provision for inventory obsolescence	–	–	(2,305)	(263)
Provision for/(reversal of provision for) impairment of trade and other receivables	693	–	1,711	(1,814)
Depreciation of property, plant and equipment	421	696	2,874	2,710
Loss/(Gain) on disposals of property, plant and equipment	–	–	174	(80)
	<u>–</u>	<u>–</u>	<u>174</u>	<u>(80)</u>

6. INCOME TAX EXPENSE

	Continuing operation	
	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Current income tax:		
Hong Kong profits tax	(246)	(567)
PRC enterprise income tax	4,458	4,200
PRC land appreciation tax	2,447	4,268
	<u>6,659</u>	<u>7,901</u>
Deferred income tax	<u>(803)</u>	<u>5,641</u>
Net charge for the period	<u>5,856</u>	<u>13,542</u>

Hong Kong profits tax has been provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the six months ended 30 September 2014.

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

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 is levied and provided for in the condensed consolidated interim financial information 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.

7. DIVIDEND

At a meeting of the board of directors held on 27 November 2014, the directors resolved not to pay an interim dividend to shareholders for the six months ended 30 September 2014. The Board did not recommend the payment of interim dividend for the six months ended 30 September 2013.

On 26 September 2014, a conditional special interim dividend was declared by the Board to be satisfied through a distribution in specie by the Company of the entire issued share capital of MS Jewellery, subject to the Spin-off Condition (as defined in the Listing Document, that is the listing sub-committee of the board of the Stock Exchange granting the listing of, and permission to deal in, the shares of MS Jewellery on the Stock Exchange). The listing approval was obtained on 16 October 2014, and the entire issued share capital of MS Jewellery was distributed to the equity holders of the Company pursuant to the Distribution (as defined in note 12). The shares of MS Jewellery were listed on the Stock Exchange on 17 October 2014.

8. EARNINGS PER SHARE

Basic:

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

	Six months ended 30 September	
	2014	2013
From continuing operation:		
Profit attributable to equity holders of the Company (HK\$'000)	<u>1,835</u>	<u>19,444</u>
Weighted average number of shares in issue (thousands)	<u>1,280,190</u>	<u>1,280,190</u>
Basic earnings per share (HK cents per share)	<u>0.14</u>	<u>1.52</u>
	Six months ended 30 September	
	2014	2013
From discontinued operation:		
Profit attributable to equity holders of the Company (HK\$'000)	<u>5,142</u>	<u>10,823</u>
Weighted average number of shares in issue (thousands)	<u>1,280,190</u>	<u>1,280,190</u>
Basic earnings per share (HK cents per share)	<u>0.40</u>	<u>0.84</u>

8. EARNINGS PER SHARE (CONTINUED)

Diluted:

Diluted earnings per share is calculated by the adjusted weighted average number of shares which represented the weighted average number of shares in issue during the period and weighted average number of ordinary shares deemed to have been issued at no consideration, assuming the exercise of the share options.

	Six months ended 30 September 2014		2013
From continuing operation:			
Profit attributable to equity holders of the Company (HK\$'000)	<u>1,835</u>	<u>19,444</u>	
Adjusted weighted average number of shares (thousands)	<u>1,293,138</u>	<u>1,297,126</u>	
Diluted earnings per share (HK cents per share)	<u>0.14</u>	<u>1.50</u>	
	Six months ended 30 September 2014		2013
From discontinued operation:			
Profit attributable to equity holders of the Company (HK\$'000)	<u>5,142</u>	<u>10,823</u>	
Adjusted weighted average number of shares (thousands)	<u>1,293,138</u>	<u>1,297,126</u>	
Diluted earnings per share (HK cents per share)	<u>0.40</u>	<u>0.83</u>	

9. TRADE AND OTHER RECEIVABLES

The Group grants a credit period of 30 days to 120 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 received within a short period of time, such that the impact of the time value of money impact is not significant.

As at 31 March 2014, included in trade and other receivables of the Group were trade receivables of HK\$61,237,000 and their ageing analysis is as follows:

	30 September 2014	31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not past due	–	17,344
1 to 60 days past due	–	31,143
61 to 120 days past due	–	7,767
More than 120 days past due	–	4,983
	<u>–</u>	<u>61,237</u>

10. TRADE AND OTHER PAYABLES

The carrying amounts of the trade and other payables approximate their fair values as these financial liabilities, 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 impact is not significant.

As at 30 September 2014, included in trade and other payables of the Group are trade payables of HK\$556,000 (31 March 2014: HK\$6,586,000) and their ageing analysis is as follows:

	30 September 2014	31 March 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 60 days past due	–	6,227
61 to 120 days past due	–	50
More than 120 days past due	556	309
	<hr/>	<hr/>
	556	6,586
	<hr/> <hr/>	<hr/> <hr/>

11. DISCONTINUED OPERATION/DISPOSAL GROUP CLASSIFIED AS HELD FOR DISTRIBUTION TO EQUITY HOLDERS

During the six months ended 30 September 2014, the Group decided and committed to a plan to distribute the Group's Pearls and Jewellery Business to its equity holders and initiated the process to distribute such business. As at 30 September 2014, the directors of the Company considered that it was highly probable that the Pearls and Jewellery Business would be distributed to the Company's shareholders within the next twelve months. As a result, the Pearls and Jewellery Business was classified as disposal group held for distribution as at that date and presented as a discontinued operation in these interim financial information. Accordingly, the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the six months ended 30 September 2013 has been restated to present such business as discontinued operation and the assets and liabilities attributable to the Pearls and Jewellery Business have been classified as disposal group held for distribution to equity holders and are presented separately in the condensed consolidated balance sheet as at 30 September 2014.

Pursuant to a resolution of the Board on 26 September 2014, it was proposed that the Group would spin off its Pearls and Jewellery Business through the separate listing of MS Jewellery on the Stock Exchange by way of introduction, through a special dividend distribution satisfied by distribution in specie of the entire issued share capital of MS Jewellery to the Company's shareholders, the details of which are set out in the listing document of MS Jewellery dated 30 September 2014 (the "Listing Document"). The directors of the Company considered that the Spin-off is in substance distributing the Pearls and Jewellery Business to the Company's shareholders. The Spin-off, details of which are set out in note 12, was subsequently completed on 17 October 2014.

11. DISCONTINUED OPERATION/DISPOSAL GROUP CLASSIFIED AS HELD FOR DISTRIBUTION TO EQUITY HOLDERS (CONTINUED)

The profit for the six months ended 30 September 2014 and 2013 from the discontinued operation is analysed as follows:

	six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Revenue	153,850	131,231
Cost of sales	<u>(96,156)</u>	<u>(88,641)</u>
Gross profit	57,694	42,590
Other gains — net	261	775
Selling expenses	(5,152)	(8,029)
Administrative expenses	<u>(44,469)</u>	<u>(23,574)</u>
Operating profit	<u>8,334</u>	<u>11,762</u>
Finance income	285	197
Finance cost	<u>(503)</u>	<u>—</u>
	<u>(218)</u>	<u>197</u>
Profit before income tax	8,116	11,959
Income tax expense	<u>(2,974)</u>	<u>(1,136)</u>
Profit for the period	<u>5,142</u>	<u>10,823</u>

The carrying amounts of the assets and liabilities associated classified as held for distribution to equity holders as at 30 September 2014 are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	97,383
Deferred income tax assets	2,906
Inventories	86,360
Trade and other receivables	113,558
Cash and cash equivalents	<u>59,222</u>
Assets of disposal group classified as held for distribution to equity holders	<u><u>359,429</u></u>
Trade and other payables	40,225
Current income tax liabilities	3,615
Borrowings	46,400
Deferred tax liabilities	<u>11,750</u>
Liabilities of disposal group classified as held for distribution to equity holders	<u><u>101,990</u></u>

12. EVENTS AFTER THE BALANCE SHEET DATE

The following events took place subsequent to 30 September 2014:

On 26 September 2014, a conditional special interim dividend was declared by the Board, to be satisfied through a distribution in specie by the Company of the entire issued share capital of MS Jewellery, subject to the Spin-off Condition (as defined in the Listing Document, that is the listing subcommittee of the board of the Stock Exchange granting the listing of, and permission to deal in, the shares of MS Jewellery on the Stock Exchange) (the “Distribution”).

On 16 October 2014, the Stock Exchange granted the listing of, and permission to deal in, the shares of MS Jewellery on the Main Board of the Stock Exchange, upon which the Spin-off became unconditional and the 100% shares of MS Jewellery were distributed to the equity owners of the Company pursuant to the Distribution. On 17 October 2014, the shares of MS Jewellery were listed on the Stock Exchange. Details of the financial impact in respect of the Spin-off to the Group are set out in note 11.

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 six months ended 30 September 2014 (the “Period” or “HY14”). During the Period, the unaudited consolidated profit attributable to equity holders of the Company was HK\$7.0 million (six months ended 30 September 2013 (“HY13”): HK\$30.3 million), representing a decrease of 76.9% as compared to the corresponding period last year. Basic earnings per share was 0.54 HK cents (HY13: 2.36 HK cents), representing a decrease of 77.1% as compared to the corresponding period last year.

BUSINESS REVIEW

During the period ended 30 September 2014, the Group underwent a series of group restructuring to rationalize the Group’s shareholding structure for the purpose of a spin-off and separate listing of Man Sang Jewellery Holdings Limited (“MS Jewellery”), a former wholly-owned subsidiary of the Company engaging in the Pearls and Jewellery Business.

On 25 June 2014, MS Jewellery submitted a listing application to the Stock Exchange for a separate listing on the Main Board of the Stock Exchange by way of introduction, through a distribution in specie by the Company of the entire issued share capital of MS Jewellery (the “Spin-off”). The Spin-off was subsequently completed on 17 October 2014 and MS Jewellery and its subsidiaries (the “MSJ Group”) were no longer subsidiaries of the Group.

Following the completion of the Spin-off, the Group no longer engages in the Pearls and Jewellery Business. Going forward, the Group will continue to focus on the development, sales and leasing of properties in Mainland China, Hong Kong and overseas.

Rental income from the investment properties of the Group continued to grow as a result of the improvement in rental rates during the Period. The Group is in the process of completing the construction of two residential apartments and a commercial complex in China Pearls and Jewellery City (“CP&J City”) which are expected to be completed in March 2015 and June 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

Revenue and gross profit

Property Segment

Revenue from the Property Segment was HK\$27.9 million (HY13: HK\$35.8 million) during the Period, which comprised rental income of HK\$25.9 million (HY13: HK\$21.4 million) and sales of properties of HK\$2.0 million (HY13: HK\$14.4 million). CP&J City continues to contribute the most to the performance in the Property Segment which accounted for 70.1% (HY13: 79.8%) of total revenue in this segment during the Period.

Rental income generated in the mainland China and Hong Kong increased by HK\$4.5 million or 21.0% to HK\$25.9 million (HY13: HK\$21.4 million) for the Period as a result of the increase in rental rates from the existing tenants. The revenue from sales of properties mainly represented sales of residential apartments in CP&J City which were completed in prior years and has decreased by HK\$12.4 million or 86.1% to HK\$2.0 million (HY13: HK\$14.4 million) during the Period.

Gross profit attributable to the Property Segment decreased by HK\$0.6 million or 2.3% to HK\$25.4 million (HY13: HK\$26.0 million) during the Period as a result of the decrease in sales of the residential apartments as mentioned above. The gross profit margin increased by 18.3 percentage points to 91.0% as compared to 72.7% for the same period last year as leasing business has a higher gross profit margin.

Pearls and Jewellery Segment

Revenue and gross profit from the Pearls and Jewellery Segment was HK\$153.9 million (HY13: HK\$131.2 million) and HK\$57.7 million (HY13: HK\$42.6 million) during the Period. Profit for the Period attributable to the Pearls and Jewellery Segment decreased by HK\$5.7 million or 52.8% to HK\$5.1 million (HY13: HK\$10.8 million) during the Period. Such reduction was primarily due to the incurrence of an one-off and non-recurring listing expenses in connection with the listing of the shares of MS Jewellery on the Main Board of the Stock Exchange.

Following the Spin-off, the Pearls and Jewellery Segment was classified as a discontinued operation.

Selling and administrative expenses (the “S&A expenses”)

S&A expenses mainly comprised selling expenses of HK\$7.8 million (HY13: HK\$10.0 million) and administrative expenses of HK\$63.2 million (HY13: HK\$32.8 million). S&A expenses increased by HK\$28.2 million or 65.9% to HK\$71.0 million (HY13: HK\$42.8 million) during the Period which was primarily due to the one-off and non-recurring listing expenses related to the Spin-off during the Period.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company decreased by HK\$23.3 million or 76.9% to HK\$7.0 million (HY13: HK\$30.3 million) primarily due to the net effect of (1) the one-off and non-recurring listing expenses related to the Spin-off; (2) the increase in fair values of investment properties in HY13; and (3) the fair value gain in financial assets at fair value through profit or loss in HY14.

LIQUIDITY, GEARING RATIO AND FINANCIAL RESOURCES

As at 30 September 2014, the Group's total equity, including non-controlling interests, was HK\$1,085.0 million (31 March 2014: HK\$1,073.7 million), representing an increase of 1.1%.

As at 30 September 2014, the Group had cash and bank balances of HK\$291.9 million (31 March 2014: HK\$392.4 million). Cash and bank balances were mainly denominated in Hong Kong dollars, United States dollars and Chinese Renminbi. The Group's working capital or net current assets were HK\$233.1 million (31 March 2014: HK\$271.5 million). The current ratio, represented by current assets divided by current liabilities, was 1.3 (31 March 2014: 1.4).

As at 30 September 2014, the Group's total borrowings, which were denominated in Hong Kong dollar and Chinese Renminbi, were HK\$242.0 million (31 March 2014: HK\$301.0 million) and were interest-bearing. The Group does not currently use any derivatives to manage interest rate risk. Gearing ratio, represented by total borrowings divided by total equity, was 0.22 (31 March 2014: 0.28).

As at 30 September 2014, the Group had available banking facilities of HK\$243.0 million (31 March 2014: HK\$243.0 million) with various banks, of which the unused bank facilities amounted to HK\$55.0 million (31 March 2014: HK\$55.4 million). With the committed unused banking facilities in place and available cash and cash equivalents, the Group has adequate financial resources to meet our anticipated future liquidity requirements and capital expenditure commitment.

PLEDGE OF ASSETS

The Group's borrowings and banking facilities were secured by certain investment properties in Hong Kong and the PRC, and completed properties held for sale in the PRC with an aggregate carrying amount of HK\$544.0 million (31 March 2014: HK\$544.0 million).

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period, which was primarily related to purchase of property, plant and equipment, amounted to HK\$2.7 million.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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, Hong Kong dollars and Chinese Renminbi, which were the main currencies transacted by the Group during the Period.

Since Hong Kong dollars remains 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 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 that are denominated 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.

HUMAN RESOURCES

As at 30 September 2014, the Group had a total workforce of approximately 640 (approximately 100 under the Property Segment and 540 under the Pearls and Jewellery Segment), of which approximately 60 were based in Hong Kong. The total staff cost, including directors' emoluments, share options benefit and mandatory provident fund, was approximately HK\$38.8 million (HY13: HK\$36.1 million) during the Period. 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.

FINANCIAL GUARANTEES

As at 30 September 2014, the Group had maximum exposure of HK\$27.2 million (31 March 2014: HK\$27.4 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.

PROSPECTS

Following the Spin-off, the Group will focus on the property business going forward. Facing the tremendous challenges ahead, the Group will continue its tight cost controls while improving the operating efficiency and productivity to maintain competitiveness as the worldwide recovery moves to full throttle. The Group will also manage its liquidity vigilantly to maintain the cash flexibility in the prevailing unpredictable financial atmosphere and at the same time grasp any new business and development opportunities in the property sector in Mainland China, Hong Kong and overseas.

CORPORATE GOVERNANCE CODE

Man Sang International Limited (the “Company”) and its subsidiaries (collectively the “Group”) recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the board of directors (the “Board”) is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders’ interests.

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”).

Save as the deviation from the code provision A.4.1 of the CG Code as further detailed in the heading “Non-Executive Director” below, 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 six months ended 30 September 2014 and, where appropriate, the applicable recommended best practices of the CG Code.

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.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules on the Stock Exchange for securities transactions by the Directors. The Company confirms that, having made specific enquiry of all Directors, all of the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2014.

BOARD OF DIRECTORS

As at 30 September 2014, the Board comprises three Executive Directors, namely Mr. Cheng Tai Po (Deputy Chairman), Ms. Yan Sau Man, Amy and Ms. Cheng Ka Man, Carman, one Non-Executive Director, namely Mr. Cheng Chung Hing (Chairman), and three Independent Non-Executive Directors, namely Mr. Fung Yat Sang, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex.

With effect from 16 October 2014, Mr. Cheng Chung Hing resigned as the Chairman and a Non-Executive Director of the Company, Ms. Yan Sau Man, Amy resigned as an Executive Director of the Company, and Mr. Fung Yat Sang resigned as an Independent Non-Executive Director of the Company.

Mr. Cheng Sai and Mr. Leung Alex have been appointed as Executive Directors of the Company with effect from 16 October 2014 and Mr. Cheng Tai Po has been re-designated as the Chairman and a Non-Executive Director of the Company with effect from 16 October 2014.

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. Cheng Sai, Mr. Leung Alex and Ms. Cheng Ka Man, Carman, one Non-Executive Director, namely Mr. Cheng Tai Po (Chairman), and two Independent Non-Executive Directors, namely Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex.

Following the resignation of Mr. Fung Yat Sang, the number of independent non-executive directors of the Company falls below the minimum number required under Rule 3.10(1) of the Listing Rules and the Company fails to meet the requirement set out in Rule 3.10(2) of the Listing Rules. Further, the Company fails to meet the requirements set out in Rule 3.21 of the Listing Rules in respect of the constitution of the audit committee. The Board will continue to search for and appoint an appropriate person to fill the vacancy as soon as possible within three months from 16 October 2014 pursuant to the Rules 3.11 and 3.23 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION 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 six months ended 30 September 2014.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company, which comprises two Independent Non-Executive Directors, namely Mr. Lau Chi Wah, Alex and Mr. Kiu Wai Ming, has reviewed the unaudited interim results of the Group for the six months ended 30 September 2014 and has recommended their adoption to the Board.

In addition, the Company's auditor, PricewaterhouseCoopers, has also conducted a review of the aforesaid unaudited interim financial information in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

On behalf of the Board
Man Sang International Limited
CHENG TAI PO
Chairman

Hong Kong, 27 November 2014

As at the date of this announcement, the executive Directors are Mr. Cheng Sai, Mr. Leung Alex and Ms. Cheng Ka Man, Carman; the non-executive Director is Mr. Cheng Tai Po (Chairman); and the independent non-executive Directors are Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex.