MAN SANG HOLDINGS, INC.

ANNUAL REPORT 2007

(AMEX: MHJ)

MAN SANG HOLDINGS, INC.

Shareholders' Letter

Dear Shareholders:

I am pleased to present to you the Man Sang Holdings, Inc. 2007 annual report.

Sales Revenue Increase 5.3%

Our net sales for this fiscal year increased 5.3% to US$51.1 million as compared to fiscal 2006. The increase in sales was mainly due to an increase in sales of assembled pearl and jewelry products, which was partly offset by a decrease in sales of South Sea pearls and freshwater pearls.

Gross profit increased 6.4% to US$14.4 million when compared to US$13.6 million last year, while gross profit margin increased to 28.3% from 28.0% last year. Net income increased by 58.8% to US$3.6 million, when compared to the net income of US$2.3 million in fiscal 2006.

Sales of Pearls, Assembled Pearls and Jewelry Products

Based on our observation at the Hong Kong Jewelry and Watch Fair, the Baselworld Jewelry and Watch Fair and the JCK Las Vegas Show, international buyers appear to have a healthy demand for pearls, assembled pearls and jewelry products.

In addition, our subsidiary, Arcadia Jewellery Ltd., has been successful marketing and selling our jewelry products in Europe. Some of our customers in Europe are among the largest jewelry industry players in their respective markets.

In view of the above, we remain optimistic about our upcoming sales of pearls, assembled pearls and jewelry products.

Pearls and jewelry products remain our core business. We expect to maintain our strong position in the South Sea pearls (including white and gold South Sea pearls and Tahitian Black pearls) market. At the same time, our sales of assembled pearl and jewelry products suggest that we have the potential to further expand on this forward integrated business.

Zhuji Project - Tapping China's Potential

We are delighted to increase our stake and speed up the development of a project investment located in Zhuji, Zhejiang, PRC (the "Zhuji Project") as a major trading platform for pearls and jewelry. The Zhuji Project has positioned itself as a "one-stop" trading platform for both domestic and foreign pearls and jewelry companies in China.

The first phase is expected to be completed by the end of calendar year 2007. There will be a pre-sale and lease of the Zhuji Project in the coming quarters. We expect that the development of the Zhuji Project would help bring advantages to the Man Sang Group's core business, including enlarging our customer base and reinforcement of our status as

one of the market leaders in the pearl industry. With the continued expansion of the Zhuji Project, we expect that we will remain solidly rooted in our core business, pearls and jewelry.

Dividend

The Board of Directors has declared a cash dividend of 25 cents per share of Common Stock to stockholders of record on July 24, 2007. Final details are being approved in Hong Kong and a separate cash dividend press release will be announced once such details have been determined.

Looking ahead

What has long set us apart is a deep commitment to innovation and our ability to tap into the needs of our customers.

Finally, we would like to take this opportunity to thank all stockholders for your continued support. We will continue to work hard to increase the value of our shares on an on-going basis.

Sincerely,

Ricky Cheng
Chairman of the Board and Chief Executive Officer
Man Sang Holdings, Inc.
June 28, 2007

This letter contains forward-looking statements that are, by their nature, subject to risks and uncertainties. These forward-looking statements include, without limitation, statements relating to (a) future supplies, demands, and purchase and sale prices of pearl and pearl jewelry in the international pearl and jewelry markets, and real estate in Hong Kong and the PRC; (b) sales and profitability of the Company's product and its future product mix; (c) the amount and nature of, and potential for, future developments and competitions; (d) expansion, consolidation and other trends in the pearl and jewelry industry; (e) the Company's business strategy; (f) the Company's estimated financial information regarding its business; (g) tax exemptions and tax rates; and (h) exchange rates. These forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes to be appropriate in particular circumstances. However, whether actual results and developments will meet the Company's expectations and predictions depend on a number of known and unknown risks, uncertainties and other factors, any of all of which could cause actual results, performance or achievements to differ materially from the Company's expectations, whether expressed or implied by such forward-looking statements (which may relate to, among other things, the Company's sales, costs and expenses, income inventory performance and receivables). Primarily engaged in the processing and trading of pearls and pearl jewelry products, and in real estate investment, the Company's ability to achieve its objective and expectations are derived at least in part from assumptions regarding economic conditions, consumer tastes, and developments in its competitive environment. The following assumptions, among others, could materially affect the likelihood that the Company will achieve its objectives and expectations communicated through these forward-looking statements: (i) that low or negative growth in the economies or the financial markets of our customers particularly in the United States and in Europe, will not occur and reduce discretionary spending on goods that might be perceived as "luxuries"; (ii) that the Hong Kong dollar will remain pegged to the US dollar at US$1 to HK$7.8; (iii) that customer's choice of pearls vis-à-vis other precious stones and metals will not change adversely; (iv) that the Company will continue to obtain a stable supply of pearls in the quantities, of the quality, and on terms required by the Company; (v) that there will not be a substantial adverse change in the exchange rate relationship between RMB and the Hong Kong or US dollar; (vi) that there will not be substantial increase in tax burden of subsidiaries of the Company operating in the PRC; (vii) that there will not be substantial change in climate and environmental conditions at the source regions of pearls that could have material effect on the supply and pricing of pearls; and (viii) that there will not be substantial adverse change in the real estate market conditions in the PRC and in Hong Kong.

We cannot guarantee any of the forward-looking statements, which are subject to risks, uncertainties and assumptions that are difficult to predict. Actual results may differ materially from those we forecast in forward-looking statements due to a variety of factors, including those set forth above. We do not intend to update any forward-looking statements due to new information, future events or otherwise. If we do update or correct one or more forward-looking statements, investors and others should not conclude that we will make additional updates or corrections with respect to other forward-looking statements.

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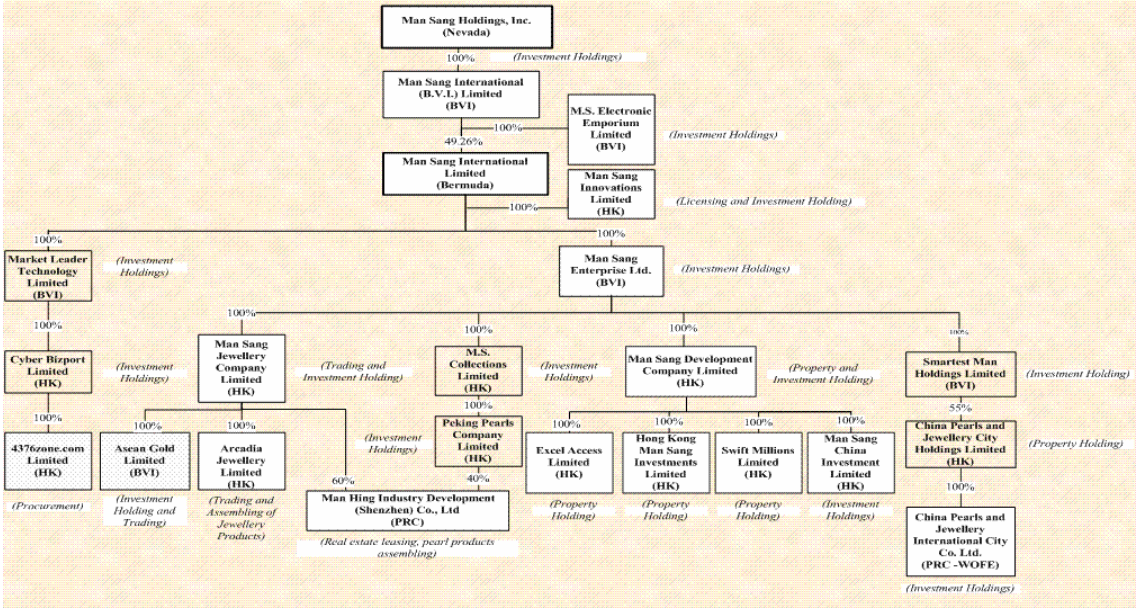
PART I

ITEM 1. BUSINESS

General and Organization Chart

Man Sang Holdings, Inc. (the "Company," or "we" or "us"), through its subsidiaries, is principally engaged in the purchasing, processing, assembling, merchandising, and wholesale distribution of pearls, pearl jewelry products and jewelry products. In addition, the Company owns and operates a commercial real estate complex in Shenzhen, People's Republic of China (the "PRC"). The structure of the Company as of the date of this annual report on Form 10-K is as follows:

MAN SANG GROUP ORGANIZATIONAL CHART



History of the Company

The Company was incorporated in the State of Nevada in November 1986 under the name of SBH Ventures, Inc. The Company was originally incorporated as a "blind pool" company for the purpose of acquiring an operating business. In March 1987, the Company completed a public offering of 20,000,000 shares of common stock raising net proceeds of approximately $171,000.* Subsequently, in November 1991, the Company, in connection with a merger

*Unless otherwise indicated as Hong Kong dollars or HK$, all financial information contained herein is presented in US dollars. The translations of Hong Kong dollar amounts into US dollars are for reference purpose only and have been made at the exchange rate of HK$7.80 for US$1, the approximate free rate of exchange at March 31, 2007. The Hong Kong dollar has been "pegged" to the US dollar since October 1983. The so-called "peg" is the Linked Exchange Rate System under which certificates of indebtedness issued by the Hong Kong Exchange Fund, which the three banks that issue the Hong Kong currency are required to hold as backing for the issue of Hong Kong dollar notes, are issued and redeemed against US dollars at a fixed exchange rate of HK$7.8 to US$1. In practice, therefore, any increase in note circulation is matched by a US dollar payment to the Exchange Fund, and any decrease in note circulation is matched by US dollar payment from the Exchange Fund. In the foreign exchange market, the exchange rate of Hong Kong dollar continues to be determined by forces of supply and demand. Against the fixed exchange rate for the issue and redemption of certificates of indebtedness, the market exchange rate generally stays close to the rate of HK$7.80 to US$1.

with an operating company, changed its name to UNIX Source America, Inc. and effected a 1-for-20 reverse stock split of its common stock. The operations of the merged companies proved unsuccessful and the Company ceased such business operations in 1992. In January 1996, the Company again effected a reverse split of its common stock on approximately a 1-for-14 basis and, following such reverse split, issued 11,000,000 shares of common stock, par value $0.001 per share ("Common Stock") and 100,000 shares of Series A Preferred Stock, par value $0.001 per share ("Series A Preferred Stock") in exchange (the "Exchange") for all of the outstanding securities of Man Sang International (B.V.I.) Limited, a British Virgin Islands company ("Man Sang BVI"). Pursuant to the terms of the Exchange, the Company changed its name to Man Sang Holdings, Inc. and assumed the operations of Man Sang BVI. The management of Man Sang BVI then assumed control of the Company.

The foundation of the group of companies comprising the Company and its subsidiaries (the "Group") was laid in the early 1980's when Cheng Chung Hing, Ricky formed Man Sang Trading Hong, a freshwater pearl trading company, and Cheng Tai Po formed Peking Pearls Company, a Japanese cultured pearl trading company. As the business of the Group developed, Man Sang Jewellery Company Limited ("MSJ") and Peking Pearls Company Limited were formed in Hong Kong in 1988 and 1991, respectively, to continue the trading operations of the Group. Subsequently, the Group expanded its operations to include pearl processing with the establishment of Man Hing Industry Development (Shenzhen) Co., Ltd. ("Man Hing") in 1992 to process and assemble freshwater pearls and Chinese cultured pearls, and Damei Pearls Jewellery Goods (Shenzhen) Co., Ltd. ("Damei") in 1995 to assume and expand the Chinese cultured pearl processing operations of Man Hing. In view of the continuous expansion of Chinese cultured pearls business, in December 1996 the Group set up a subsidiary, Tangzhu Jewellery Goods (Shenzhen) Co., Ltd. ("Tangzhu") in the PRC to specialize in purchasing and processing Chinese cultured pearls of larger sizes with diameter from 6mm and above and, to a lesser extent, in processing other cultured pearls. As a result, Damei started to concentrate on the purchasing and processing of cultured pearls of smaller size with diameter below 6mm. The business of purchasing and processing of Chinese freshwater pearls was also transferred from Man Hing to Tangzhu whilst Man Hing started to concentrate on the pearl jewelry assembling business.

During the period from April to July 1996, the Company, in reliance on Regulation S promulgated under the U.S. Securities Act of 1933, as amended, sold and issued 6,760 shares of Series B Convertible Preferred Stock, par value $0.001 per share ("Series B Preferred Stock"), for an aggregate purchasing price of $6.76 million. All 6,760 shares of Series B Preferred Stock were converted into 5,223,838 shares of Common Stock, of which 5,219,448 shares were issued in fiscal 1997 before a 1-for-4 reverse stock split which the Company effected in October 1996, and the balance of 4,390 shares of Common Stock issuable upon conversion of Series B Preferred Stock were issued as 1,098 shares of Common Stock (post reverse stock split) during fiscal 1998.

On July 30, 1997, Man Sang International Limited ("MSIL") was incorporated as an exempted company under the Companies Act 1981 of Bermuda. On September 8, 1997, Man Sang BVI acquired MSIL and underwent a corporate reorganization. Thereafter, MSIL held directly or indirectly the interests of various operating subsidiaries in Hong Kong and the PRC.

On September 26, 1997, MSIL successfully listed on The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") and completed an initial public offering ("IPO") of 127,500,000 shares ("Shares") of HK$0.1 each at HK$1.08 per share with warrants (each

an “IPO Warrant”) in the proportion of 1 IPO Warrant for every 5 Shares raising net proceeds of approximately HK$123.6 million. Every IPO Warrant entitled the holder thereof to subscribe for one Share at an exercise price of HK$1.3 from the date of issue up to and including March 31, 1999. After MSIL’s IPO, Man Sang BVI held 73.02% or 345 million Shares. As of March 31, 1999, the Company had issued 50 Shares upon exercise of the IPO Warrants related to such Shares and on such date, the subscription rights attaching to the remaining IPO Warrants expired.

On August 12, 1998, at the 1998 Annual General Meeting of MSIL, MSIL’s shareholders approved a final dividend for the year ended March 31, 1998 of HK$0.03 per Share, settled by way of allotment of fully paid shares in the capital of MSIL (“Scrip Shares”) with a cash option (“Scrip Dividend Scheme”). Man Sang BVI elected to receive part of its final dividend in cash and part of it in 10,000,000 Scrip Shares. As some of MSIL’s shareholders elected to receive cash dividend and some elected Scrip Shares, a total of 11,963,456 Scrip Shares were allotted on October 8, 1998. After the allotment, Man Sang BVI legally and beneficially owns approximately 73.28% or 355 million Shares.

On August 2, 1999, at the 1999 Annual General Meeting of MSIL, MSIL’s shareholders approved (i) a final dividend for the year ended March 31, 1999 in the amount of HK$0.01 per share; and (ii) a “Bonus Issue of Warrants” (i.e. a distribution of warrants (each a “Bonus Warrant”)) to MSIL’s shareholders on the basis of 1 Bonus Warrant for every 5 Shares of MSIL held on August 2, 1999. Pursuant to such shareholder approval, MSIL paid a cash dividend of HK$4,844,635.06 to its shareholders on September 7, 1999. Each Bonus Warrant entitles the holder thereof to subscribe in cash at an initial subscription price of HK$0.40 per Share (subject to adjustment), and is exercisable at any time from September 14, 1999 to September 13, 2001, both dates inclusive. 45,603 Shares were issued in fiscal 2000 upon exercise of the Bonus Warrants; all other Bonus Warrants expired without exercise.

On August 6, 1999, MSIL appointed Kingsway SW Securities Limited as placing agent on a fully underwritten basis in respect of the placing of 40,000,000 new Shares of MSIL at a price of HK$0.33 per Share. After the placement, MSIL had 524,463,506 shares issued and outstanding. The legal and beneficial ownership of Man Sang BVI reduced from 73.28% to 67.69% of the issued and outstanding shares of MSIL.

On August 2, 2000, at the 2000 Annual General Meeting of MSIL, MSIL’s shareholders approved a bonus issue of Shares to MSIL’s shareholders on the basis of 1 bonus Share for every 5 Shares of MSIL held on August 2, 2000 (the “Bonus Issue”). Based on the 526,559,109 MSIL Shares issued and outstanding as at August 2, 2000, 105,311,821 bonus Shares, credited as fully paid by way of capitalization from the share premium account of MSIL, were allotted on August 3, 2000. The bonus Shares rank pari passu in all respects with the existing issued Shares of MSIL. After the Bonus Issue, and the placement of Shares in 1999 and exercise of Bonus Warrants referred to above, Man Sang BVI legally and beneficially owned approximately 67.42% of the issued and outstanding Shares of MSIL.

On November 26, 2001, MSIL issued 120,000,000 Shares through a private placement, which constituted approximately 18.99% of the issued share capital of MSIL immediately before, and approximately 15.96% of the issued share capital of MSIL immediately after, said placement. Said placement in 2001 (i) increased the number of issued and outstanding Shares of MSIL from 631,870,930 to 751,870,930, and therefore (ii) decreased Man Sang BVI’s legal and beneficial ownership in MSIL from 67.42% to 56.66%.

On June 7, 2002, the Company issued in aggregate 410,000[1] shares of Common Stock, par value $0.001 per share, to two business consultants pursuant to two separate business Consulting Agreements dated June 1, 2002.

On April 30, 2003, the Company repurchased in aggregate 410,000[1] shares of Common Stock previously issued to two business consultants on June 7, 2002, at a price of $1.5[1] per share. These shares were cancelled on May 12, 2003.

On August 6, 2003, MSIL approved an ordinary share dividend of one share of ordinary share for every ten ordinary shares owned by each of its record shareholders.

On October 6, 2003, Mr. Cheng Chung Hing, Ricky and Mr. Cheng Tai Po purchased from Man Sang BVI 36 million and 24 million of MSIL shares, respectively. After such transaction, through Man Sang BVI, the Company held 408.6 million MSIL shares, representing 49.40% of the shares issued of MSIL, and remained the principal shareholder of MSIL. The purchase price per share was the arithmetic average of the closing price of MSIL shares for each of the five trading days immediately preceding and including October 6, 2003.

On July 16, 2004, one of the Company's subsidiaries, Tangzhu, was merged into Man Hing.

On August 4, 2004, MSIL approved an ordinary share dividend of one ordinary share for every ten ordinary shares owned by each of its record shareholders.

On April 15, 2005, July 4, 2005 and July 6, 2005, 100,000[1], 50,000[1] and 50,000[1] stock options were exercised, respectively, at an exercise price of US$1.22[1] per share. A total of 200,000 shares of Common Stock, were issued accordingly.

On July 22, 2005, the Company's Board of Directors approved a five-for-four stock split of the Company's Common Stock, effected in the form of a stock dividend for stockholders of record on July 22, 2005 and the stock dividend was distributed to each such stockholder on August 5, 2005.

On August 1, 2005, MSIL approved an ordinary share dividend of one ordinary share for every ten ordinary shares owned by each stockholder of record on August 1, 2005.

On August 8, 2005, the Company successfully listed its Common Stock on the American Stock Exchange under the ticker symbol "MHJ", which was previously reported on the Over-The-Counter Electronic Bulletin Board since 1987 under the symbol "MSHI.OB".

On November 22, 2005, 250,000 and 312,500 stock options were exercised at an exercise price of $0.976 and $0.88 per share, respectively. A total of 562,500 share of Common Stock were issued accordingly.

On March 23, 2006, MSIL indirectly acquired a 49.0% interest in a project located in Zhuji, Zhejiang province, PRC through its subsidiary (the "Zhuji project"). In connection with such project, a wholly foreign-owned enterprise was formed in the PRC (the "WFOE"), with the registered share capital and total investment amount of $20,000,000 and $40,000,000,

[1] On July 22, 2005, the Company effected a five-for-four stock split of the Company's Common Stock, effective August 5, 2005. Accordingly, such number or price of shares of the Company's Common Stock has not been adjusted for the five-for-four stock split.

respectively. MSIL and/or its subsidiary expected to contribute approximately $19,600,000 into the registered capital and total investment of the WFOE.

On April 12, 2007, MSIL indirectly acquired an additional 6.0% interest in the Zhuji project at a consideration of HK$60,000,000, including an assignment of loan in an amount equivalent to approximately HK$10,560,000. As a result of such acquisition, the Company, through Smartest Man Holdings Limited, an indirect wholly-owned subsidiary of MSIL, currently indirectly owns 55.0% of the issued and outstanding share capital of China Pearls and Jewelry City Holdings Limited (which has become a subsidiary of MSIL), and therefore 55.0% interest in the Zhuji project.

In order to facilitate the growth in existing operations and expansion into processing operations, and to diversify its revenues, in 1991, the Group commenced construction of 24 buildings in an industrial facility in Shenzhen, the PRC ("Man Sang Industrial City") for use in pearl processing and corporate administration (5 buildings) and for lease to third party industrial users (19 buildings). During fiscal 2005, 2 additional buildings which comprised of living quarters were completed. During fiscal 2006, one additional factory building was completed. See "Item 1 - Business - Real Estate Leasing Operations" and "Item 2 - Properties."

Pearl Operations

Pearl Industry

The use of pearls in jewelry dates back over 1,500 years in China. Large scale commercial pearl production began in Japan in the late 19th century. The farming, production and trading of pearls to meet demand for pearl jewelry is a mature industry. Today's pearl industry and its growth are affected by consumer preferences, worldwide economic conditions and availability of supply.

In today's pearl market, pearls are divided into two categories, i.e. freshwater pearls and saltwater cultured pearls. Saltwater cultured pearls are, in turn, divided into Japanese cultured pearls, Chinese cultured pearls, Tahitian pearls and South Sea pearls.

The PRC is a major supplier of freshwater pearls. In addition to the traditional smaller freshwater pearls ranging in size from 5mm to 7mm, there is a supply of high quality freshwater pearls ranging in size from 8mm to 10mm, or even sometimes up to 15mm since 1999. These larger freshwater pearls contribute a higher gross profit margin than the traditional smaller freshwater pearls.

The PRC has emerged as a major supplier of cultured pearls, ranging in size from 5mm to 8mm. Since 1996, Japan has been losing its long held dominance in the cultured pearl industry because Japanese cultured pearls have been in poor harvests. Meanwhile, Chinese cultured pearls have been improving in quality and competitively priced. As a result, the Company has been shifting its cultured pearls product mix from Japanese to Chinese cultured pearls.

Tahitian pearls are sourced from French Polynesia and the Cook Islands, while South Sea pearls are sourced mainly from Australia, Papua New Guinea, Indonesia and the Philippines. These pearls are generally more expensive and are considered superior in quality when

compared to either Japanese or Chinese cultured pearls, and cannot be easily substituted by the latter.

Products

We presently offer seven product lines including freshwater pearls, Chinese cultured pearls, Japanese cultured pearls, South Sea pearls and Tahitian pearls, pearl jewelry and other jewelry products. Freshwater pearls are available in a variety of shapes and sizes. The most commonly available sizes range from 2mm to 8mm, and the price are generally less expensive than cultured pearls with wholesale prices typically ranging from $2 to $300 per 16 inch strand depending on size, grade and shape. However, since 1998, larger size freshwater pearls are available in the market ranging from 8mm to 10mm, or even sometimes up to 15mm, and the price for the larger size freshwater pearls can reach up to $1,000 per 16 inch strand depending on size, grade and shape. Saltwater cultured pearls generally are round in shape and range in size from 5mm to 18mm. South Sea and Tahitian pearls are considered to be the highest quality saltwater cultured pearls and typically the largest and most expensive followed by Japanese cultured pearls and Chinese cultured pearls. Wholesale prices of cultured pearls typically range from $13 to $70,000 per 16-inch strand.

The following table illustrates by pearl category the typical range of size and wholesale price of cultured pearls we sell, with price variations within each category reflecting size and qualitative differences:

	Size	**Price/16 inch strand**
	mm	US$
Freshwater pearls	2 - 13	2 - 1,000
Chinese cultured pearl	5 - 7.5	10 - 400
Japanese cultured pearls	7 - 10	100 - 2,000
Tahitian pearls	8 - 16	120 - 15,000
South Sea pearl	8 - 18	300 - 70,000

We also offer fully assembled pearl jewelry, including necklaces, earrings, rings, pendants, broaches, bracelets, cufflinks, and similar miscellaneous pearl products. For the three years ended March 31, 2007, freshwater and cultured pearls sales as a percentage of our sales of pearls and assembled pearl products were as follows:

Year	Loose and Strands Pearls		Assembled Pearl Jewelry	
	Freshwater %	Cultured %	Freshwater %	Cultured %
2007	21	70	79	30
2006	32	82	68	18
2005	35	78	65	22

Purchasing

We purchase (i) Chinese cultured pearls from pearl farms and other suppliers in the coastal areas of the southern part of the PRC, including Guangdong and Guangxi Provinces; (ii)

South Sea pearls from pearl farms and suppliers in Hong Kong, Australia, the Philippines, and Japan; (iii) Tahitian pearls from pearl farms and suppliers in French Polynesia; and (iv) freshwater pearls from pearl farms and other suppliers in the eastern part of the PRC, including Jiangsu and Zhejiang Provinces.

Our purchase of pearls is conducted by its full-time, well-trained and experienced purchasing staff from our offices in Hong Kong and Shenzhen in the PRC, and a special purchasing office in Zhangjiang in the PRC, the site of the largest Chinese cultured pearl farm. The purchasing staff maintains regular contacts with pearl farms and other suppliers in the PRC, Japan, Hong Kong, Philippines and Tahiti, enabling us to buy directly from farmers whenever possible, to secure the best prices available for pearls and to gain access to a larger quantity of pearls. Our management and purchasing staff meet regularly to assess existing and anticipated pearl demand. The purchasing staff in turn inspects and purchases pearls in the quantities and of the quality and nature necessary to meet existing and estimated demand.

We have no long-term purchase contracts, and instead negotiate the purchase of pearls on an as-needed basis to correspond with expected demand. While we constantly seek to capitalize on volume purchasing and relationships with farmers and suppliers to secure the best pricing and quality when purchasing pearls and other jewelry raw materials, we generally purchase raw materials from suppliers at approximately prevailing market prices. We believe that there are numerous alternate supply sources and that the termination of our relationship with any of its existing sources would not materially adversely affect us. To date, we have not experienced any significant difficulty in purchasing raw materials.

In fiscal 2007, our five largest suppliers of the Company accounted for approximately 51.9% (2006: 61.6%) of our total purchases, with the largest supplier accounting for approximately 16.3% (2006: 26.4%) of our total purchases.

In fiscal 2007, approximately 29.8% of our purchases were made in Hong Kong dollars, with the remaining amount settled in US dollars, French Polynesian francs, Renminbi or Japanese Yen. It is our policy not to enter into derivative contracts such as forward contracts and options, unless we consider it necessary to hedge against foreign exchange fluctuations. No such derivative contract was entered into during fiscal 2007. See “Item 7A - Quantitative and Qualitative Disclosures about Market Risk.”

Processing and Assembling

Pearl processing and assembling are conducted at our facilities in Shenzhen, PRC. Freshwater pearl processing and assembling operations presently occupy approximately 23,958 square feet and employ 214 workers while cultured pearl processing and assembling operations occupy approximately 37,026 square feet and employ 565 workers. The average compensation per factory worker is HK$1,469 per month while average supervisory compensation is HK$2,340 per month.

We, with the assistance of specialists from Japan, have trained our work force to implement advanced Japanese bleaching technology. Each worker performs a specific function and is supervised by an officer and technical assistants who are university graduates with chemical technology training. Each worker also receives specialized training by industry specialists from Japan. Prior to participation in pearl processing operations, each worker is required to participate in an extensive on-the-job training program utilizing poor quality pearls for demonstration and training purposes.

Pearl processing occurs in batches or production cycles. Raw pearls and other materials transported to the Company's processing facilities in Shenzhen, PRC are first sorted, chemically bleached and, if necessary, drilled. This process, excluding drilling, takes approximately 21 days for freshwater pearls and approximately 70 days for saltwater cultured pearls. Drilling takes approximately 10 days. Next, the pearls are cleaned, dried, waxed, graded, sorted, strung, and if necessary, packaged. The entire production cycle takes approximately 30 days for freshwater pearls and approximately 100 days for saltwater cultured pearls.

Where appropriate, processed pearls are then incorporated into finished jewelry products. Assembling and finishing may include the addition of clasps, decorative jewelry pieces, or other specialty work requested by the customers to produce finished jewelry pieces.

We presently have facilities and pearl processing personnel to produce approximately 29,000 kg (2006: 29,000 kg) of freshwater pearls and 10,000 kg (2006: 10,000 kg) of cultured pearls annually. Fiscal 2007 production totaled approximately 21,000 kg of freshwater pearls and 2,351 kg of cultured pearls, compared to the production of 16,411 kg of freshwater pearls and 810 kg of cultured pearls in fiscal 2006. We presently also have adequate assembling and finishing personnel and facilities to produce approximately 1.8 million pieces of finished jewelry annually. The production of finished jewelry totaled approximately 1.3 million pieces in fiscal year 2007.

Upon completion of processing, pearls are shipped to our offices in Hong Kong where they are stored for inspection by potential buyers.

Marketing

We market our products from our facilities in Hong Kong. Our sales staff, which is divided into groups organized by geographic regions, presently markets freshwater pearls, Chinese cultured pearls, Japanese cultured pearls, Tahitian pearls, South Sea pearls, and jewelry products.

Our marketing and sales staff maintains on-going communications with a broad range of jewelry distributors, manufacturers and retailers worldwide to assure that customers' pearl requirements are fully satisfied. Our marketing and sales staff regularly visits all major pearl markets and jewelry trade shows to display products, establish contacts with potential customers and evaluate market trends. Apart from attending trade shows and servicing customers, our marketing and sales force principally operates from our headquarters in Hong Kong, where buyers personally visit and inspect our products and place orders. As part of our marketing efforts, we have established Internet web pages (www.man-sang.com) to market our products. In addition, we have increased our efforts to market pearls and jewelry products to customers in Europe and North America.

Customers

Our customers consist principally of wholesale distributors and mass merchandisers in Europe, the United States, Hong Kong and other Asian countries. For fiscal 2007, one of our customers accounted for more than 10.0% of our total sales, and our five largest customers accounted for approximately 41.1% (2006: 36.3%), with the largest customer accounting for approximately 16.0% (2006: 10.8%) of our total sales. As of March 31, 2007, we had

approximately 930 customers. We have no long-term contract with customers. Most of our customers have been in business with us for a number of years. We do not believe that the loss of any one customer will have a material adverse effect on our financial condition or results of operations.

Our policy is to denominate predominantly all our sales in either U.S. dollars or Hong Kong dollars. Since Hong Kong dollar remained "pegged" to the U.S. dollar throughout fiscal 2007, our sales proceeds have thus far had minimal exposure to foreign exchange fluctuations. See "Item 7A - Quantitative and Qualitative Disclosures about Market Risk."

The following table sets forth by region and by product our net sales for the years ended March 31, 2007, 2006 and 2005:

	2007		2006		2005	
	HK$'000	%	HK$'000	%	HK$'000	%
Cultured Pearls						
North America	47,616	12.0	46,460	12.3	62,922	15.3
Europe	23,166	5.8	19,362	5.1	19,990	4.8
Germany	4,955	1.3	8,576	2.3	7,058	1.7
Hong Kong	22,462	5.6	29,701	7.8	31,803	7.7
Japan	24,320	6.1	26,097	6.9	30,610	7.4
Other Asian countries	34,361	8.6	23,844	6.3	30,095	7.3
Others	6,325	1.6	8,517	2.3	6,734	1.6
Sub-total	163,205	41.0	162,557	43.0	189,212	45.8
Freshwater Pearls						
North America	3,569	0.9	5,611	1.5	4,549	1.1
Europe	4,066	1.0	5,205	1.4	6,016	1.5
Germany	3,122	0.8	4,609	1.2	4,061	1.0
Hong Kong	2,296	0.6	2,666	0.7	2,497	0.6
Japan	9,148	2.3	11,092	2.9	10,665	2.6
Other Asian countries	4,821	1.2	6,976	1.8	5,682	1.4
Others	1,194	0.3	2,762	0.7	1,350	0.3
Sub-total	28,216	7.1	38,921	10.2	34,820	8.5
Assembled Jewelry						
North America	62,891	15.8	57,396	15.2	77,628	18.8
Europe	33,717	8.5	28,129	7.4	20,557	5.0
Germany	85,989	21.6	67,588	17.9	64,992	15.8
Hong Kong	5,171	1.3	6,069	1.6	10,554	2.6
Japan	3,432	0.8	5,584	1.5	4,870	1.2
Other Asian countries	3,221	0.8	3,501	0.9	2,439	0.6
Others	12,437	3.1	8,552	2.3	7,190	1.7
Sub-total	206,858	51.9	176,819	46.8	188,230	45.7
Total	398,279	100.0	378,297	100.0	412,262	100.0

A majority of sales (by dollar amount) in Hong Kong is for re-export to North America, Europe and other Asian countries.

Intellectual Property

Man Sang Innovations Limited, an indirect subsidiary of the Company, owns 13 registered trademarks in Hong Kong. The validity period of such registered trademarks will expire between January 31, 2008 and January 19, 2017. In addition, it owns a registered trademark in each of New Zealand, Macau, Australia, Switzerland, Thailand, Indonesia, South Korea, Japan, Mexico and Taiwan. The validity period of such registered trademarks will expire between March 15, 2009 and May 31, 2013 (of which there is no expiry date for the registered trademarks in South Korea and Japan).

Man Sang Jewellery Company Limited., an indirect subsidiary of the Company, owns six registered trademarks in Hong Kong. The validity period of such registered trademarks will expire between February 12, 2008 and May 15, 2016. In addition, it owns a registered trademark in each of Switzerland, Thailand, Japan, South Korea and Taiwan. The validity period of such registered trademarks will expire between March 7, 2012 and May 31, 2013 (of which there is no expiry date for the registered trademarks in South Korea).

Arcadia Jewellery Limited, an indirect subsidiary of the Company, owns four registered trademarks in Hong Kong. The validity period of such registered trademarks will expire between November 18, 2009 and January 21, 2010.

Man Hing Industry Development (Shenzhen) Co., Ltd., an indirect subsidiary of the Company, owns 14 registered trademarks in the PRC. The validity period of such registered trademarks will expire between January 27, 2013 and May 6, 2015.

Seasonality

Our sales are seasonal in nature. The bulk of our sales occur during the months of March, June and September (during major international jewelry trade shows held in Hong Kong in these three months). Accordingly, the results of any interim period are not necessarily indicative of the results that might be expected during a full year.

The following table sets forth our unaudited net sales for the fiscal years indicated:

	Fiscal Year Ended March 31,					
	2007 HK$'000	%	2006 HK$'000	%	2005 HK$'000	%
First Quarter	97,937	24.6	104,158	27.5	99,078	24.0
Second Quarter	95,395	24.0	107,709	28.5	107,983	26.2
Third Quarter	106,780	26.8	90,174	23.8	109,074	26.5
Fourth Quarter	98,167	24.6	76,256	20.2	96,127	23.3
Total	398,279	100.0	378,297	100.0	412,262	100.0

Competition

With the exception of several large Japanese cultured pearl and South Sea pearl suppliers, the pearl business is highly fragmented with limited brand name recognition or consumer loyalty. Selection is generally a function of design appeal, perceived value and quality in relationship to price.

Internationally, we face intense competition. Our principal historical competitors in the Japanese cultured, Tahitian and South Sea pearl markets are Japanese companies. Firms such as Tasaki, Mikimoto, Tokyo and K. Otsuki are the largest traders and distributors of such pearls. Nevertheless, their competitiveness has been impaired by the current weakness in Japan's economy, and the poor harvest of Japanese cultured pearls.

Locally, we compete with approximately 60 companies in Hong Kong that engage actively in the freshwater pearl and Chinese cultured pearl business. Most of such local companies are small operators and some are engaged only in pearl trading. In addition to genuine pearls, we must compete with synthetically produced pearls.

We believe that we are competitive in the industry because of our advanced pearl processing and bleaching techniques, and processing facilities in the PRC which allow us to process pearls at cost that is lower than many of our competitors and because we are a leading purchaser and distributor of Chinese cultured pearls. In addition, we provide one-stop shopping convenience to customers and have historically maintained a close relationship with our customers. Therefore, although competition is intense, we believe that we are well positioned in the pearl industry. However, in a highly competitive industry where many competitors have substantially greater technical, financial and marketing resources than us, new competitors may enter into the market and customer preferences may change unpredictably, and there can be no assurance that we will remain competitive.

Real Estate Leasing Operations

Facilities

In connection with our expansion into pearl processing and assembling operations, we acquired land use rights with respect to, and constructed, an industrial complex ("Man Sang Industrial City") located in Gong Ming Zhen, Shenzhen Special Economic Zone, PRC in September 1991. The land use rights with a total site area of approximately 470,000 square feet we acquired with respect to Man Sang Industrial City have a duration of 50 years starting from September 1, 1991. We acquired the land use rights relating to Man Sang Industrial City and constructed such facility for approximately $3.4 million.

As of March 31, 2007, Man Sang Industrial City consisted of 27 completed buildings encompassing a total gross floor area of approximately 813,000 square feet. Of the 27 completed buildings in Man Sang Industrial City, 18 buildings are rental properties, and the remaining 9 buildings are for the Company's own use. In addition to factories, dormitories and shops, Man Sang Industrial City has green zones, playgrounds and other amenities typically offered in industrial/living complexes in the PRC.

Leasing and Management

During fiscal 2007, we utilized 9 buildings in Man Sang Industrial City for pearl processing, pearl and jewelry assembling, administration, and staff accommodation. The remaining facilities were leased to third party industrial users, primarily foreign investors and non-polluting light industry.

During fiscal 2007, we employed a staff of 24 persons to provide required management, leasing, maintenance and security for Man Sang Industrial City.

As of March 31, 2007, the 18 buildings in Man Sang Industrial City, excluding the 9 buildings utilized for our pearl operations, were used for leasing purposes to independent third parties and industrial users not connected with us. Such facilities are typically offered under leases ranging in duration from 1 to 3 years. The gross rental income from Man Sang Industrial City for fiscal 2007 was approximately HK$3.6 million compared to approximately HK$2.6 million for fiscal 2006. See "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Year Ended March 31, 2007 Compared to Year Ended March 31, 2006 - Rental Income."

In addition to Man Sang Industrial City, we own rental properties in Hong Kong ("Hong Kong Rental Properties") which were leased to independent third parties. The Hong Kong Rental Properties consist of the properties as follows:

a. 2,643 square feet on 17th Floor and a car parking space No.16 on 2nd Floor, Silvercrest, No.24 Macdonnell Road, Midlevels, Hong Kong. A tenancy agreement was made at a monthly rental of HK$61.0K** for a term of two years starting from October 25, 2006. The rental income totaled approximately HK$576.0K for fiscal 2007 and approximately HK$456.0K for fiscal 2006. See "Item 2 - Properties - Hong Kong."

** As used in this report, the letter "K" appearing immediately after a dollar amount denotes rounding to the nearest HK$1,000; as an example, HK$250,499 may be rounded to "HK$250K."

b. Parking space No. 3 on Floor L3 of Valverde, 11 May Road, Hong Kong. The tenancy agreement on this property and property (c) below expired during fiscal 2006. This parking space has been vacant since January 2006. See "Item 2 - Properties - Hong Kong."

c. 1,063 square feet at Flat A on 33rd Floor, Valverde, 11 May Road, Hong Kong. The tenancy agreement on this property expired during fiscal 2006. Rental income on this property and property (b) above totaled approximately HK$285.0K for fiscal 2006. This property has been vacant since January 2006. See "Item 2 - Properties - Hong Kong."

d. 957 square feet at Room 407, Wing Tuck Commercial Centre, 177-183 Wing Lok Street, Sheung Wan, Hong Kong. A tenancy agreement was made a term of three years starting from September 22, 2005 at a monthly rental of HK$7K. The rental income totaled approximately HK$84.0K for fiscal 2007 and approximately HK$40.6K for fiscal 2006. See "Item 2 – Properties – Hong Kong"

Competition

Competition among facilities such as Man Sang Industrial City is intense in the Shenzhen Special Economic Zone. Because of economic incentives available for businesses operating in the Shenzhen Special Economic Zone, numerous facilities have been constructed to house such businesses. While a number of competing facilities may offer greater amenities and may be operated by companies having greater resources, and additional competing facilities may be constructed, we believe Man Sang Industrial City is competitive with other similar facilities in the Shenzhen Special Economic Zone based on both the quality of facilities and lease rates.

Employees

As of May 31, 2007, we had 1,026 employees. No employee is governed by collective bargaining agreements and we consider our relations with our employees to be satisfactory. A breakdown of employees by function is as follows:

	Hong Kong	PRC	Total
Senior management	5	4	9
Marketing and sales	23	20	43
Purchasing	2	1	3
Finance and accounting	13	14	27
Processing and logistics	23	822	845
Human resources and administration	10	42	52
Real estate leasing	-	24	24
Information technology	3	20	23
Total	79	947	1,026

Segment Information

Reportable segment income or loss, and segment assets are as follows:

Reportable Segment Income or Loss, and Segment Assets

	2007 HK$'000	2006 HK$'000	2005 HK$'000
Revenues from external customers			
Pearls	398,279	378,297	412,262
Real estate investment	4,225	3,362	4,646
	402,504	381,659	416,908
Interest expenses			
Pearls	-	-	33
Real estate investment	-	-	18
Corporate assets	-	-	49
	-	-	100
Depreciation and amortization			
Pearls	5,820	5,361	5,602
Real estate investment	1,561	1,323	1,637
Corporate assets	918	918	918
	8,299	7,602	8,157
Operating income			
Pearls	28,565	35,443	35,386
Real estate investment	(1,663)	(3,440)	(6,381)
	26,902	32,003	29,005
Capital expenditure for segment assets			
Pearls	8,929	4,657	8,536
Real estate investment	-	2,085	1,473
	8,929	6,742	10,009
Segment assets			
Pearls	572,466	487,925	449,219
Real estate investment	60,979	62,838	62,232
Corporate assets	45,664	58,012	47,790
	679,109	608,775	559,241

ITEM 1A. RISK FACTORS

Sources of Pearl Supply

The principal raw materials used by the Company and its subsidiaries (the "Group") are pearls. As pearls are commodities and their value is subject to prevailing market conditions, it is a customary practice in the pearl market that buyers and sellers of pearls do not normally enter into any long term contracts. The Group currently does not have any fixed term purchase contracts with any pearl farmers and suppliers. The Group purchases different types of pearls from different sources around the world. With its long established history in the pearl industry, the Group has established a good relationship with pearl farmers and suppliers. The Group negotiates the purchase of pearls on an as needed basis at prevailing market prices. However, there can be no assurance that pearls will be available from its suppliers in the quantities, of the quality and on the terms required by the Group.

Climate and Environmental Conditions; Pearl Price Fluctuation

Changes in supply of pearls may have a material effect on the business of the Group. Any adverse change in climate and environmental conditions at the source regions of pearls may have an adverse effect on pearl harvesting and hence the supply of pearls.

Over the years, the Group has developed relationships with a network of suppliers to ensure a continuous supply of different types of pearls. The Group has adopted a policy of diversification of sources under which pearls are purchased from different suppliers in different countries or regions so that the Group is less susceptible to changes in raw material supply due to the changes in climate and environmental conditions at any particular source region.

The prices of pearls fluctuate according to demand and supply conditions in the market. Any significant increase in the prices of pearls may affect the profitability of the Group. Hence, the Group continues to expand its product range in order to reduce any impact of price fluctuations of any type of pearls.

Change in Consumer Preference

A change in consumer preferences from pearls to other precious stones and metals may soften demand for some of the Group's products and may result in decreased revenues and growth. While the Group attempts to offer a diverse product range to minimize the effects of a negative change in consumer preferences, there can be no assurance that the Group's financial performance will not be adversely affected by such a change in consumer preferences.

General State of Economy

As pearls are mainly used in jewelry which may be deemed as fashionable consumer products or perceived as "luxuries", the demand for pearls and pearl jewelry are subject to the general state of economy of the major markets for such products, including Hong Kong, the U.S. and Europe. There can be no assurance that the financial performance of the Group will not be adversely affected by any change in the general state of economy in the major markets that causes a decrease in discretionary spending for fashionable consumer products or "luxuries" such as pearls and pearl jewelry.

Foreign Currency Exposure

The Group makes a majority of its purchases in U.S. dollars, Hong Kong dollars, Japanese Yen and Renminbi, and denominates its sales in either U.S. dollars or Hong Kong dollars. Accordingly, changes in currency exchange rates (including revaluation of the Renminbi) and costs of conversion between U.S. dollars, Hong Kong dollars and such other currencies may have an adverse effect on the Group's business. These exposures may change over time as business practices evolve and could result in increased costs or reduced revenue that could impact the Group's cash flow and operating results. Currency devaluations and unfavorable changes in international monetary and tax policies could also have a material adverse effect on the Group's profitability.

Foreign Tax Liability

The Company's subsidiaries operate in foreign jurisdictions, including the PRC and are subject to taxation in those jurisdictions. Any increase in foreign tax liability may have a material adverse effect on the Group's profitability.

General Real Estate Investment Risks

The Group owns certain real estate investments. Real estate investments, like many other types of long-term investments, have historically experienced significant fluctuations in value, and specific market conditions and cycles may result in occasional or permanent reductions in the value of the Group's investments. Property cash flows and the marketability and value of real property will depend on many factors beyond the control of the Group, including, without limitation:

- Adverse changes in international, national, regional and local economic and market conditions;
- Changes in interest rates or financial markets;
- Fluctuating local real estate conditions and changes in local laws and regulations;
- Changes or promulgation and enforcement of governmental regulations relating to land use and zoning, environmental, occupational and safety matters;
- Changes in real estate tax rates and other operating expenses;
- Existence of uninsured or uninsurable risks; and
- Natural disasters, acts of war or terrorism.

Mr. Cheng Chung Hing, Ricky and Mr. Cheng Tai Po have Substantial Control over our Company and can Affect Decisions Made by our Stockholders

Mr. Cheng Chung Hing, Ricky and Mr. Cheng Tai Po beneficially own 3,750,001 and 3,437,501 shares of Common Stock, respectively, as of June 28, 2007. They control a majority of our total voting power (based on total of 6,382,582 shares of Common Stock outstanding as of June 28, 2007). In addition, they beneficially own 100,000 Series A Preferred Stock of the Company which entitles them to a fixed number of votes of 3,191,225 shares of Common Stock (subject to adjustments for stock splits, stock dividends, combinations, and the like upon occurrence of such event, if any). As a result, Mr. Cheng Chung Hing, Ricky and Mr. Cheng Tai Po have the requisite voting power to significantly affect certain decisions of the Company, including the power to block corporate actions such as amendment provisions of our constitutional documents.

The Price of our Common Stock may Fluctuate Significantly, which may Result in Losses for Investors

The market price for the Common Stock has been and may continue to be volatile. For example, during the period from April 1, 2007 to May 31, 2007, the closing prices of the Common Stock as reported on AMEX ranged from a high of $8.9 per share to a low of $5.9 per share. We expect our stock price to be subject to fluctuations as a result of a variety of factors, including factors beyond our control. These factors include and are not necessarily limited to:

- actual or anticipated variations in operating results from guidance provided by us;
- announcements relating to strategic relationships or acquisitions;
- changes in financial estimates or other statements by securities analysts or research firms;
- changes in general economic conditions; and
- changes in the economic performance and/or market valuations of other competitors.

Because of this volatility, we may fail to meet the expectations of our stockholders or of securities analysts at some time in the future, and our stock price could decline as a result.

SARS, Avian Flu and other diseases

The outbreak of severe acute respiratory syndrome, or SARS, in the Asia Pacific region in 2003 had a negative effect in the economies of that region. A similar epidemic or other highly contagious disease in the Asia Pacific region, such as pandemic human influenza, could adversely affect economic activities, performance and operations of the Group.

Other Risks

We have attempted to identify material risk factors currently affecting our business and company. However, additional risks that we do not yet know of, or that we currently think are immaterial, may occur or become material. These risks could impair our business operations or adversely affect revenues, cash flow or profitability.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. PROPERTIES

Hong Kong

The head office of the Group at 21st Floor and 19th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong has a gross floor area on each floor of approximately 10,880 square feet. We have renewed our tenancy agreement of 21st Floor for a term of 2 years commencing July 1, 2006.

We own a property at Room 407, Wing Tuck Commercial Centre, 177 - 183 Wing Lok Street, Sheung Wan, Hong Kong. The gross floor area of the premises is approximately 957 square

feet. A tenancy agreement of this property for a term of 3 years was signed on September 22, 2005.

We own two residential flats with a combined gross floor area of approximately 1,784 square feet at Flat C and Flat D on 15th Floor, Windsor Mansion, 29-31 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong, which we use as quarters for PRC employees on business trips to Hong Kong.

We own a residential flat with a gross floor area of approximately 1,063 square feet on 33rd Floor, and a parking space at No. 3 on L3 Floor of Valverde, 11 May Road, Hong Kong, which we had leased to an independent third party until January 2006. This property has been left vacant since January 2006. See "Item 1 - Business - Real Estate Leasing Operations - Leasing and Management" above.

We own a residential flat with a gross floor area of approximately 2,838 square feet on 20th Floor, The Mayfair, 1 May Road, Hong Kong, which we use as our Chairman's residence since February 6, 2002.

We own a commercial property with a gross floor area of approximately 10,880 square feet on 19th Floor, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong, which is one of the head offices of the Group.

People's Republic of China

As noted above, we own the land use rights to the site of Man Sang Industrial City for a term of 50 years from September 1, 1991 to September 1, 2041. On March 31, 2007, Man Sang Industrial City consisted of 27 completed buildings encompassing a total gross floor area of approximately 813,000 square feet. Throughout fiscal 2007, we used most of the units in 9 buildings for pearl processing, pearl and jewelry assembly, administration and staff accommodation, and the remaining 18 buildings are used for leasing to independent third parties and industrial users not connected with us, amounting to approximately 545,000 square feet of floor space and representing approximately 67.0% of the total gross floor space of Man Sang Industrial City.

ITEM 3. LEGAL PROCEEDINGS

On December 2, 2003, Arcadia Jewellery Limited ("Arcadia"), a subsidiary of the Company, filed a lawsuit in High Court in Hong Kong against So Nai Leung Jimmy (its former general manager), Kung Koon Hon, Essen Jewellery Limited and Willerby Agents Limited for, *inter alia*, damages, interest, a declaration that the consultancy agreement dated December 30, 2002 entered into by Arcadia with various parties is null and void and that Arcadia is entitled to rescind the same, and a declaration that Arcadia is entitled to exercise its right under Clause 16 of the business transfer agreement dated December 21, 2002 entered into by Arcadia with various parties.

On December 22, 2003, So Nai Leung Jimmy filed a lawsuit in High Court in Hong Kong against Arcadia in respect of his employment agreement with Arcadia for monetary damages and a declaration that the restraint of trade covenants under said employment agreement are unenforceable. Arcadia has filed its defence on February 6, 2004. Arcadia intends to pursue its claim and defend against the former general manager's claims.

Although it is not possible to predict with certainty at the moment the outcome of these unresolved legal actions or the range of possible loss or recovery, the Company does not believe that the resolution of these matters will have a material adverse effect on the Company's consolidated financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our stockholders through the solicitation of proxies or otherwise, during the fourth quarter of our fiscal year ended March 31, 2007.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our Common Stock was previously reported on the Over-The-Counter (OTC) Electronic Bulletin Board since 1987 and is under the symbol "MSHI.OB." On August 8, 2006, our common stock was successfully listed on the American Stock Exchange under the symbol "MHJ".

The high ask and low bid prices for our Common Stock for each quarter, and on the last day of each quarter, during our last two fiscal years were as follows:

Period	Over the quarter		On the last day of quarter	
	High	Low	High	Low
	$	$	$	$
2007				
June 30, 2006	5.88	4.80	5.08	4.85
September 30, 2006	5.10	3.58	4.24	3.91
December 31, 2006	5.19	4.10	4.96	4.85
March 31, 2007	6.64	4.66	6.19	5.95
2006				
June 30, 2005 (Note)	6.64	4.40	6.40	6.40
September 30, 2005	7.20	5.40	6.05	5.85
December 31, 2005	6.13	4.70	5.11	4.70
March 31, 2006	7.40	4.91	5.82	5.74

Note: The share price for the first quarter of fiscal 2006 has been adjusted for the five-for-four stock split which became effective on August 5, 2005 to make it comparable with the share price for fiscal 2006 since August 5, 2006.

The above bid information reflects inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Holders

The number of record holders of our Common Stock as of May 31, 2007, was approximately 177. This number does not include an indeterminate number of stockholders whose shares are held by brokers in street name.

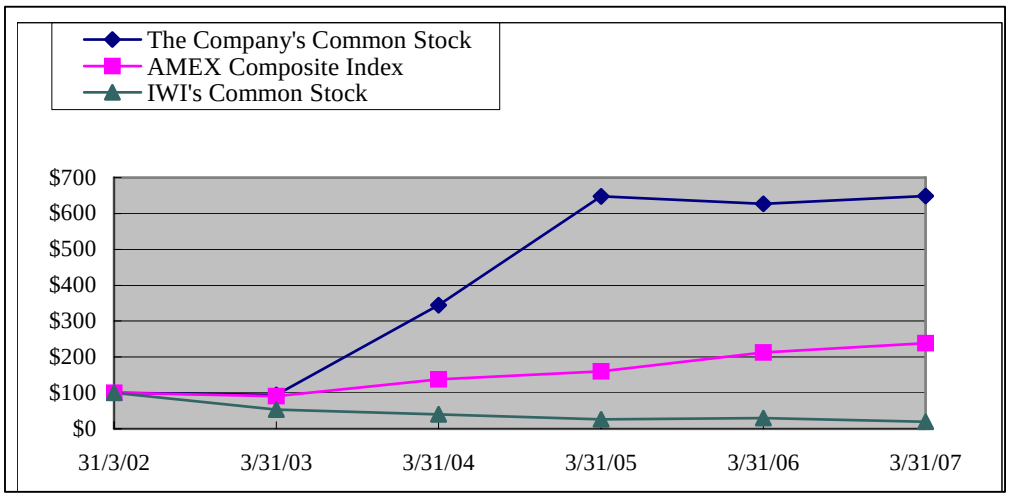
Dividends

We have not paid any dividends with respect to our Common Stock during fiscal 2007, 2006 and 2005. On June 28, 2007, the Company's Board of Directors declared a cash dividend of $0.25 per share of Common Stock to stockholders of record on July 24, 2007.

Performance Graph

The following graph shows a five-year comparison of cumulative total stockholder return, calculated on a dividend reinvested basis for the Common Stock of the Company, IWI Holding Limited ("IWI"), a peer issuer selected by the Company, and the AMEX Composite Index. The graph assumes that $100 was invested in the Common Stock of each of the Company and IWI Holdings Limited, and in the AMEX Composite Index, on March 31, 2002.

The comparisons in this graph are required by the United States Securities and Exchange Commission and are not intended to forecast or be indicative of future stock price performance or the financial performance of the Company. Stockholders are encouraged to review the Financial Statements of the Company contained in this Form 10-K.



	3/31/02	3/31/03	3/31/04	3/31/05	3/31/06	3/31/07
The Company's Common Stock	$100	$94.83	$344.84	$647.44	$627.16	$648.71
IWI's Common Stock	$100	$53.33	$40.00	$26.67	$30.00	$20.00
AMEX Composite Index	$100	$90.86	$138.03	$160.32	$212.63	$238.87

On August 8, 2005, we listed our shares on AMEX, and as a result we do not have a history of share price performance for the prior years on AMEX. Accordingly, we continue to use IWI as a peer issuer for comparison as IWI is engaged primarily in the design, assembly, merchandising and wholesale distribution of jewelry. In addition, we have incorporated the AMEX Composite Index for comparison purposes.

ITEM 6. SELECTED FINANCIAL DATA

Set forth below is certain selected consolidated financial data for the Company and its subsidiaries covering the fiscal years ended March 31, 2007, 2006, 2005, 2004 and 2003 and the selected balance sheet data at March 31 of each such year. This summary should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements provided in Items 7, 7A and 8 respectively, of this Report on Form 10-K.

(Amounts expressed in thousands except share data)

For the fiscal year	2007 HK$	2006 HK$	2005 HK$	2004 HK$	2003 HK$
Net sales	398,279	378,297	412,262	382,123	323,082
Gross profit	112,699	105,854	117,248	104,147	89,922
Rental income - gross	4,225	3,362	4,646	6,220	7,455
SG&A expenses					
- for net sales	84,134	70,411	81,862	79,838	65,079
- for rental	5,888	6,802	11,207	9,558	7,280
Operating income	26,902	32,003	29,005	20,971	25,018
Interest expenses	-	-	100	380	1,629
Interest income	9,394	7,140	1,067	279	690
Gain on sale of a real estate investment	-	-	34,248	-	-
Non-operating income	28,981	2,312	1,617	2,889	4,425
Other than temporary decline in fair value of marketable securities	-	-	-	(2,474)	(5,921)
Income before income taxes and minority interest (N1)	65,277	41,455	65,837	21,285	22,583
Income tax expense	6,776	4,095	6,129	7,027	3,719
Minority interests	30,536	19,748	32,792	11,266	9,943
Net income (N1)	27,965	17,612	26,916	2,992	8,921
Net income available to common stockholders (N2)	27,534	17,323	26,436	2,939	8,773
Net income available to common stockholders - per share (N3)	4.31	2.90	4.80	0.53	1.48
Depreciation and amortization	8,299	7,602	8,157	9,427	9,296
Gross profit margin (%)	28.30	27.98	28.44	27.25	27.83

At March 31	2007	2006	2005	2004	2003
	HK$	HK$	HK$	HK$	HK$
Working capital	384,018	405,069	357,028	262,645	288,315
Property, plant and equipment, net	104,671	102,295	119,061	115,791	66,278
Real estate investments, net	60,979	62,838	47,144	88,673	96,447
Total assets	679,109	608,775	559,241	516,874	483,744
% Return on total assets	4.12	2.89	4.81	0.58	1.84
Non-current portion of long-term debts	-	-	-	6,016	16,435
Total liabilities (excluding minority interests)	44,890	37,890	36,963	55,572	46,553
Minority interests	313,860	279,989	257,562	224,437	179,844
Stockholders' equity	320,359	290,896	264,716	236,865	257,347
Net book value per share (N3)	50.19	48.64	48.04	42.56	43.43
% Return on stockholders' Equity	8.73	6.05	10.17	1.26	3.47
Gearing ratio (N4)	-	-	-	0.05	0.09
Weighted average shares outstanding (N3)	6,382,582	5,980,870	5,509,847	5,564,861	5,925,875

N1: Income before income taxes and net income is from continuing operations.

N2: Net income attributable to common stockholders is derived by net income minus net income attributable to preferred stockholders.

N3: The figures for fiscal 2003 to fiscal 2006 have been restated to reflect the capital structure subsequent to the five-for-four stock split, which became effective on August 5, 2005.

N4: "Gearing ratio" represents the ratio of the Company's total debts to stockholders' equity.

N5: No dividend was paid in the fiscal years presented.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section and other parts of this Form 10-K contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), which are, by their nature, subject to risks and uncertainties. The Act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward-looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements, other than statements of historical fact, including statements regarding industry prospects and future results of operations or financial position, made in this Form 10-K are forward looking. Words such as "anticipates," "believes," "expects," "future" and "intends" and similar expressions are intended to identify forward-looking statements. These forward-looking statements include,

without limitation, statements relating to: our future performance, our expansion efforts, demand for our products; the state of economic conditions and our markets; currency and exchange rate fluctuations; and our ability to meet our liquidity requirements. These forward-looking statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe to be appropriate in particular circumstances. However, whether actual results and developments will meet our expectations and predictions depend on a number of known and unknown risks and uncertainties and other factors, any or all of which could cause actual results, performance or achievements to differ materially from our expectations, whether expressed or implied by such forward-looking statements (which may relate to, among other things, the Company's sales, costs and expenses, income, inventory performance, and receivables). Primarily engaged in the processing and trading of pearls and pearl jewelry products, and in real estate investment, our ability to achieve our objectives and expectations are derived at least in part from assumptions regarding economic conditions, consumer tastes, and developments in our competitive environment. The following assumptions, among others, could materially affect the likelihood that we will achieve our objectives and expectations communicated through these forward-looking statements: (i) that low or negative growth in the economies or the financial markets of our customers, particularly in the United States and in Europe, will not occur and reduce discretionary spending on goods that might be perceived as "luxuries"; (ii) that the Hong Kong dollar will remain pegged to the U.S. dollar at US$1 to HK$7.8; (iii) that customer's choice of pearls vis-à-vis other precious stones and metals will not change adversely; (iv) that we will continue to obtain a stable supply of pearls in the quantities, of the quality and on terms we require; (v) that there will not be a substantial adverse change in the exchange relationship between the Renminbi and the Hong Kong or U.S. dollar; (vi) that there will not be a substantial increase in the tax burdens of our subsidiaries operating in the PRC; (vii) that there will not be a substantial change in climate and environmental conditions at the source regions of pearls that could have a material adverse effect on the supply and pricing of pearls; and (viii) that there will not be a substantial adverse change in the real estate market conditions in the PRC and in Hong Kong. The following discussion of our results of operation, and liquidity and capital resources should be read in conjunction with the financial statements and the notes thereto included elsewhere in this Form 10-K and this Form 10-K, which contains a further description of risks and uncertainties related to forward-looking statements, as well as other aspects of our business. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Form 10-K. We will not publicly release any revisions to these forward-looking statements after the date hereof. Readers are urged, however, to review the factors set forth in periodic reports that we file from time to time with the Securities and Exchange Commission.

Critical Accounting Policies and Estimates

Management's discussion and analysis of results of operations and financial condition are based upon our consolidated financial statements. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make certain estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. The most significant estimates and assumptions include valuation of inventories, provisions for income taxes and uncollectible accounts, the recoverability of non-consolidated investments and long-lived assets. Actual results could differ from these estimates. Periodically, the Company

reviews all significant estimates and assumptions affecting the financial statements and records the effect of any necessary adjustments.

The following critical accounting policies rely upon assumptions and estimates and were used in the preparation of the Company's consolidated financial statements:

Allowance for doubtful accounts: We maintain an allowance for doubtful accounts based on estimates of the credit-worthiness of our customers. If the financial condition of our customers was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories write-downs: We write down the amount by which the cost of inventories (determined by the weighted average method) exceeds their estimated market values based on assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Long-lived assets: We periodically evaluate the carrying value of long-lived assets to be held and used, including goodwill and other intangible assets, whenever events and circumstances indicate that the carrying value of the asset may no longer be recoverable. An impairment loss, measured based on the estimated fair value of the asset, is recognized if expected future undiscounted cash flows are less than the carrying amount of the assets.

Non-consolidated investments: An adverse change in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments (which we determine by referring to the operating results of, and the return generated from, such investments), thereby possibly requiring an impairment charge.

Marketable securities: We hold for long-term investment purposes certain publicly traded securities, which are classified as available for sale. Management periodically reviews these investments for other than temporary decline in value. In our review in fiscal 2004, taking into account the length of time and the extent to which the market value of certain securities have been below cost, and other qualitative factors, management determined that a decline in value of such securities was other than temporary, which we recognized in our income statement. Management will continue to periodically review the market value of our investments in securities, and if it determines in the future, based at least in part on the length of time and the extent to which the market value is less than cost as well as the financial conditions and prospects of the respective issuers, that an other than temporary decline in value occurs, we may be required to make further write-downs for such decline in value.

Allowances for Deferred Income Tax Assets: Tax benefits arising from deductible temporary differences, unused tax credits and net operating loss carry forwards are recognized as deferred tax assets. We record a valuation allowance to reduce our deferred income tax assets to an amount that we believe will more likely than not be realized. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need and amount for the valuation allowance. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of our net recorded amount, an adjustment to our deferred income tax assets would increase income in the period such determination was made. Alternatively, should we determine that we would not be able to realize all or part of our net deferred income tax assets

in the future, an adjustment to our deferred income tax assets would decrease income in the period such determination was made.

Overview

Fiscal 2007

Net sales in fiscal 2007 increased by HK$20.0 million to HK$398.3 million, representing an increase of 5.3% when compared to net sales of HK$378.3 million in fiscal 2006. The increase in sales was primarily due to an increase in sales of assembled pearl and jewelry products, but was partly offset by a decrease in sales of South Sea pearls and freshwater pearls.

The Group's sales in South Sea Pearls and assembled pearl and jewelry products accounted for 36.9% and 51.6%, respectively, of our fiscal year 2007 total sales, compared to 39.9% and 45.6%, respectively, in fiscal 2006. From a geographical perspective, sales in the United States grew 4.2% in fiscal 2007 (compared to a 24.6% drop in fiscal 2006), and sales in Europe grew 16.1% in fiscal 2007 (compared to an 8.8% growth in 2006). We expect to consistently adopt sales strategies to expand our customer network and an effective cost control on production cost.

Net income for fiscal 2007 increased by HK$10.4 million, or 58.8%, to HK$28.0 million when compared to the net income of HK$17.6 for fiscal 2006. Such increase in net income (at a much higher percentage than the Group's increase in sales in fiscal 2007) was mainly due to the one-time sale of inventories included (as "Other Income" on the statement of income) in fiscal 2007, the value of which (in the amount of approximately HK$22,500,000) had been fully written down in prior years.

Future Trends

Pearls and jewelry products remain our core business. We expect to maintain our strong position in the South Sea pearls market while our performance in the sales of assembled pearl and jewelry products indicates that we have the potential to further expand on this forward integrated business.

As an extension to our core pearl and jewelry businesses, in fiscal 2007, we increased our equity interests in the pearl and jewelry trading platform held by China Pearls and Jewellery City in Zhuji, China (the "Zhuji project") from 49.0% to 55.0%, and sped up its development by contributing an additional HK$84.9 million to the Zhuji project.

The Zhuji project has positioned itself as a "one-stop" trading platform for both domestic and foreign pearls and jewelry companies in China. It is regarded as a major development project at both municipal and provincial levels. Zhuji Municipal is a major fresh water pearl nurturing and trading center in China with a long history of offering a comprehensive range of fresh water pearls and other pearl products. The Zhuji project is one of the projects that has received strong support from the Provincial Government of Zhuji.

The entire Zhuji project is expected to consist of three phases. The first phase is expected to be completed by the end of calendar year 2007. Combined with the pace of economic growth in China and the 2008 Olympic Games in Beijing, we expect the Zhuji project to contribute towards our net earnings as it is placed on the market for sales and/or lease. Furthermore, we

expect that the development of the Zhuji project would bring to the Group advantages in our core business including the enlargement of our customer base and reinforcement of our status as one of the market leaders in the pearl industry.

We believe these strategies and investments will enable us to grow more effectively and at the same time manage our business risks.

Results of Operations

The following table sets forth for the fiscal years indicated certain items from the Consolidated Statements of Income expressed as a percentage of net sales:

	Year Ended March 31,		
	2007	2006	2005
	%	%	%
Net sales	100.0	100.0	100.0
Cost of sales	71.7	72.0	71.6
Gross profit	28.3	28.0	28.4
Rental income, gross	1.1	0.9	1.1
	29.4	28.9	29.5
Selling, general and administrative expenses	(22.6)	(20.4)	(22.5)
Operating income	6.8	8.5	7.0
Interest expenses	-	-	(0.1)
Interest income	2.4	1.9	0.3
Gain on sale of a real estate investment	-	-	8.3
Non-operating income	7.2	0.6	0.4
Income before income taxes and Minority interests	16.4	11.0	15.9
Income tax expenses	(1.7)	(1.1)	(1.5)
Net income before minority interests	14.7	9.9	14.4
Minority interests	(7.7)	(5.2)	(8.0)
Net income	7.0	4.7	6.4

Year Ended March 31, 2007 Compared to Year Ended March 31, 2006

Net Sales and Gross Profit

Net sales in fiscal 2007 increased by HK$20.0 million to HK$398.3 million, representing a 5.3% increase when compared to net sales of HK$378.3 million in fiscal 2006. The increase in sales was primarily due to an increase in sales of assembled pearl and jewelry products, but was partly offset by a decrease in sales of South Sea pearls and freshwater pearls.

Gross profit for fiscal 2007 increased by HK$6.8 million to HK$112.7 million from HK$105.9 million for fiscal 2006, representing an increase of 6.4%, while gross profit margin increased to 28.3% in fiscal 2007 from 28.0% in fiscal 2006. The increase in gross profit was primarily due to an increase in total net sales.

Rental Income

Gross rental income increased by HK$0.8 million, or 25.7%, to HK$4.2 million for fiscal 2007 from HK$3.4 million for fiscal 2006. The increase in gross rental income was mainly attributable to the increase in the occupancy rate of Man Sang Industrial City located in the PRC from 68.5% in fiscal 2006 to 84.1% in fiscal 2007.

Selling, General and Administrative Expenses ("SG&A expenses")

SG&A expenses for fiscal 2007 were HK$90.0 million, consisting of HK$84.1 million attributable to pearl operations and HK$5.9 million attributable to real estate operations. This is an increase of approximately HK$12.8 million, or 16.6%, from HK$77.2 million, consisting of HK$70.4 million attributable to pearl operations and HK$6.8 million attributable to real estate operations during fiscal 2006.

The increase in SG&A expenses attributable to pearl operations was mainly due to (i) one-time stock compensation expenses of HK$5.3 million that resulted from grants of share options by MSIL to certain directors and employees during fiscal 2007, and (ii) development and implementation cost of the Enterprise Resources Planning system, which will support our critical business processes, of approximately HK$3.8 million. Apart from these one-time expenses, the operating cost for the rental of the head office and the salary of employees increased by approximately HK$2.7 million in fiscal 2007 compared to that in fiscal 2006. The lower SG&A expenses attributable to real estate operations was mainly due to the decrease in maintenance cost of building in fiscal 2007 as certain maintenance works were carried out and their cost incurred in fiscal 2006.

As a percentage of net sales, SG&A expenses attributable for pearl operations increased from 18.6% in fiscal 2006 to 21.1% in fiscal 2007.

Interest Income

Interest income for fiscal 2007 increased by HK$2.3 million to HK$9.4 million from HK$7.1 million in fiscal 2006. The increase in interest income was principally due to higher interest rates and increased bank deposits in fiscal 2007 as compared to fiscal 2006. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

Interest Expenses

No interest expenses were paid in fiscal 2007 and fiscal 2006 as there had been no bank borrowings during these two fiscal years.

Income Tax Expenses

Income tax expenses were HK$6.8 million for fiscal 2007, an increase of HK$2.7 million when compared to the income tax expenses of HK$4.1 million for fiscal 2006. The increase in income tax expenses was attributed to higher taxable income in fiscal 2007.

Net Income

Net income for fiscal 2007 increased by HK$10.4 million to HK$28.0 million when compared to the net income of HK$17.6 million for fiscal 2006. The increase was mainly due to the one-time sale of inventories which had been written down (in value of HK$22.5

million) in prior years, interest income and the one-time realized gain on sale of marketable securities of HK4.8 million, of which there was other-than-temporary impairment of HK$2.1 million recognized in the fiscal year ended March 31, 2003, but partly offset by the increased SG&A expenses.

Year Ended March 31, 2006 Compared to Year Ended March 31, 2005

Net Sales and Gross Profit

Net sales in fiscal 2006 decreased by HK$34.0 million to HK$378.3 million, representing a 8.2% decrease when compared to net sales of HK$412.3 million in fiscal 2005. The decrease in sales was primarily due to the decline in demand of South Sea pearls of our U.S. customers and to a lesser extent, being partly affected by the strong upward swing of bullion prices which impacted our sales order on assembled jewelry products.

Gross profit for fiscal 2006 decreased by HK$11.3 million to HK$105.9 million from HK$117.2 million for fiscal 2005, representing a decrease of 9.6% while gross profit margin decreased to 28.0% in fiscal 2006 from 28.4% in fiscal 2005. The gross profit margin still remains comparable to that of the last fiscal year, reflecting a slight drop of only 0.4%. The decrease in gross profit resulted primarily from the decrease in net sales**.**

Rental Income

Gross rental income decreased by HK$1.2 million, or 27.6%, from HK$4.6 million for fiscal 2005 to $3.4 million for fiscal 2006. The decrease in gross rental income was mainly attributable to the disposal of one of our rental properties located at 8th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during fiscal 2005 as well as a decrease in rental income in Man Sang Industrial City located in PRC.

Selling, General and Administrative Expenses ("SG&A expenses")

SG&A expenses for fiscal 2006 were HK$77.2 million, consisting of HK$70.4 million attributable to pearl operations and HK$6.8 million attributable to real estate operations. This is a decrease of approximately HK$15.7 million, or 16.9%, from HK$92.9 million, consisting of HK$81.9 million attributable to pearl operations and HK$11.0 million attributable to real estate operations during fiscal 2005.

The decrease in SG&A expenses attributable to pearl operations was mainly due to lower provisions for doubtful accounts and the lack of an impairment loss on property, plant and equipment that occurred in the same period during the last fiscal year. The lower SG&A expenses attributable to real estate operations was mainly due to the lack of a one-time write-off of a receivable related to a vacancy in one of our properties in Man Sang Industrial City in Shenzhen, which occurred during the same period in fiscal 2005.

As a percentage of net sales, SG&A expenses attributable for pearl operations decreased from 19.9% in fiscal 2005 to 18.6% in fiscal 2006.

Interest Income

Interest income for fiscal 2006 increased by HK$6.0 million to HK$7.1 million from HK$1.1 million in fiscal 2005. The increase in interest income was principally due to higher interest

rates and increased bank deposits in fiscal 2006 as compared to fiscal 2005. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

Interest Expenses

No interest expenses was paid in fiscal 2006 as a result of the repayment of bank borrowings during fiscal 2005. Interest expense for fiscal 2005 was HK$0.1 million.

Income Tax Expenses

Our income tax expenses were HK$4.1 million for fiscal 2006, a decrease of HK$2.0 million when compared to our income tax expenses of HK$6.1 million for fiscal 2005. The decrease in our income tax expenses was attributed to lower taxable operating income in fiscal 2006.

Net Income

Net income for fiscal 2006 decreased by HK$9.3 million to HK$17.6 million, when compared to a net income of HK$26.9 million for fiscal 2005. Such decrease was mainly due to the absence of the one-time gain on disposal of one of our properties located at 8th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong. This is partly offset by the increased contribution of interest income in fiscal 2006.

Off-balance Sheet Arrangements and Contractual Obligations

No off-balance sheet arrangement is noted during this fiscal 2007.

The Company is contractually obligated to make the following material payments as of March 31, 2007:

Contractual Obligations	**Payments due by period**				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	HK'000	HK'000	HK'000	HK'000	HK'000
Capital Commitment Obligations	60,000	60,000	-	-	-
Operating lease obligations	4,484	3,494	990	-	-
Total contractual obligations	64,484	63,494	990	-	-

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109" ("FIN No. 48"). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN No. 48 requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The first step is recognition, whereby a determination is made whether it is more-likely-than-not that a tax position will be sustained upon examination

based on the technical merits of the position. The second step is to measure a tax position that meets the recognition threshold to determine the amount of benefit to be recognized. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 will apply to fiscal years beginning after December 15, 2006, with earlier adoption permitted. The Company considers that the adoption of FIN No. 48 will not have significant impact on its financial statements. In May 2007, FASB Staff Position (FSP) amends FIN No. 48, to provide guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits.

In September 2006, the FASB published Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements", to eliminate the diversity in practice that exists due to the different definitions of fair value and the limited guidance for applying those definitions in GAAP that are dispersed among many accounting pronouncements that require fair value measurements. SFAS No. 157 defines fair value as the price that would be received for a sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). SFAS No. 157 also stipulates that, as a market-based measurement, fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability, and establishes a fair value hierarchy that distinguishes between (a) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (b) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, although earlier application is encouraged. Additionally, prospective application of the provisions of SFAS No. 157 is required as of the beginning of the fiscal year in which it is initially applied, except when certain circumstances require retrospective application. The Company does not believe that the adoption of SFAS No. 157 will have a significant impact on its financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" which allows entities an option to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 will come into effect for the Group on April 1, 2008. The Company does not expect the adoption of SFAS No. 159 will have a significant impact on its financial statements.

Liquidity and Capital Resources

The Group's primary liquidity needs are funded by collection of accounts receivable and sales of inventories. As at March 31, 2007, the Group had working capital of HK$384.0 million, which included a cash balance of HK$297.0 million, compared to working capital of HK$405.1 million, which included a cash balance of HK$304.8 million, as at March 31, 2006. The current ratio was 10.0 to 1 in fiscal 2007 as compared with that of 12.3 to 1 in fiscal 2006. Net cash provided by operating activities was HK$75.2 million and HK$65.3 million for fiscal 2007 and fiscal 2006, respectively. Net cash used in investing activities was HK$84.1 million and HK$10.7 million for fiscal 2007 and fiscal 2006, respectively. The decrease in cash and cash equivalents by HK$8.1 million was mainly due to the cash used in

the acquisition of the Zhuji project and the loan to an affiliate which owned the Zhuji project, which together exceeded the cash generated by operating activities.

Inventories decreased by HK$9.7 million from HK$55.9 million at March 31, 2006 to HK$46.2 million at March 31, 2007. The inventory turns in terms of months decreased from 3.0 months in fiscal 2006 to 2.0 months in fiscal 2007. Inventories decreased mainly due to improvement in inventory management.

Accounts receivables were HK$56.9 million as of March 31, 2007. Debtors' turnover period increased slightly to 52.2 days in fiscal 2007 from 45.7 days in fiscal 2006.

There were no long-term debts and the gearing ratio was zero as of March 31, 2007.

Our ongoing cash flows have provided sufficient cash to fund expected investments and capital expenditures. We had available working capital facilities of HK$105.0 million in total with various banks as at March 31, 2007. Such banking facilities included letter of credit arrangements, import loans, overdraft and other facilities commonly used in the jewelry business. All such banking facilities bear interest at floating rates generally offered by banks in Hong Kong, and are subject to periodic review. As at March 31, 2007, we did not utilize such credit facilities.

In April 2007, we paid HK$60,000,000 to acquire an additional 6% interest in the Zhuji project. Such funds were generated from the cash available in hand and operating activities.

We believe that our existing cash, cash equivalents, banking facilities and funds to be generated from internal operations will be sufficient to meet our anticipated future liquidity requirements, including acquisition, working capital, capital expenditure and any dividend distribution.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In fiscal 2007, we made approximately 49.1% of our purchases in U.S. dollars and approximately 43.7% of purchases in Hong Kong dollars, Renminbi and Japanese Yen (together, 92.8% of total purchases). We denominate our sales in either U.S. dollars or Hong Kong dollars. Since the Hong Kong dollar remained "pegged" to the U.S. dollar at a consistent rate, we believe that the exposure of its sales proceeds to foreign exchange fluctuations is minimal. On the other hand, the potential revaluation of the Renminbi will not be considered significant to our operations as we believe that the risk of a substantial fluctuation of the Renminbi exchange rate remains low. As at March 31, 2007, we have no short-term Renminbi bank borrowings. In addition, the transaction settled in Japanese Yen was only for a non-recurring purchase made during fiscal 2007 and therefore the risk of foreign currency exposure on Japanese Yen remains low.

Therefore, since most of our purchases are made in currencies that we believe have low risk of appreciation or devaluation, and sales are made in U.S. dollars, we have determined that our currency risk in the foreseeable future should not be material, and that no derivative contracts such as forward contracts or options to hedge against foreign exchange fluctuations were necessary during fiscal 2007.

ITEM 8. FINANCIAL STATEMENTS

MAN SANG HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On May 31, 2007, our Audit Committee approved the resignation of Moores Rowland Mazars ("MRM") as our independent auditors, effective May 31, 2007. On May 31, 2007, the Audit Committee appointed Grant Thornton as the Company's new independent auditors, effective June 1, 2007. There was no disagreement between the Company and MRM as our independent auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of MRM, would have caused MRM to make reference to the subject matter of the disagreement in connection with its report. We reported the change of independent auditors on the Form 8-K filed on June 4, 2007, with the Securities and Exchange Commission, which is incorporated herein by reference.

ITEM 9A. CONTROLS AND PROCEDURES

We maintain a system of disclosure controls and procedures designed to provide reasonable assurance as to the reliability of our published financial statements and other disclosures included in our reports under the Securities and Exchange Act of 1934, as amended. In accordance with Rule 13a-15(b) of the Securities and Exchange Act of 1934, as amended, an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2007. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2007 to ensure that material information relating to our Company was made known to them by other persons within our Company. No change was made in our internal control over financial reporting during the fiscal year ended March 31, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our Chief Executive Officer and Chief Financial Officer do not expect that our disclosure controls or internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resources constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

ITEM 9A(T). CONTROLS AND PROCEDURES

Not applicable.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item will be included in the Company's proxy statement for its 2007 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days after March 31, 2007 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be included in the Company's proxy statement for its 2007 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days after March 31, 2007 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be included in the Company's proxy statement for its 2007 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days after March 31, 2007 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be included in the Company's proxy statement for its 2007 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days after March 31, 2007 and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item will be included in the Company's proxy statement for its 2007 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission within 120 days after March 31, 2007 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Items Files as Part of Report:

1. Financial Statements

The financial statements of the Company as set forth in the Index to Consolidated Financial Statements under Part II, Item 8 of this Form 10-K are hereby incorporated by reference.

2. Financial Statements Schedules

Schedule II – Valuation and qualifying accounts

Description	Balance at beginning of the year	Charged / (credited) to expenses	Deductions Note(a)	Balance at end of the year
Year ended March 31, 2007				
Allowance for doubtful debt	26,031	1,551	(1,379)	26,201
Deferred tax asset valuation allowance	2,622	(612)	-	2,010
Year ended March 31, 2006				
Allowance for doubtful debt	26,528	286	(783)	26,031
Deferred tax asset valuation allowance	3,887	(1,265)	-	2,622
Year ended March 31, 2005				
Allowance for doubtful debt	17,497	9057	(26)	26,528
Deferred tax asset valuation allowance	3,821	66	-	3,887

Note (a) Bad debts write-offs

3. Exhibits

The exhibits listed under Item 15(c) are filed herewith or have been included as exhibits to previous filings with the Securities and Exchange Commission, and are incorporated by reference as indicated below.

(b) Report on Form 8-K

A report on Form 8-K/A was filed on April 4, 2006 to update certain information regarding the investment in the Zhuji Project stated in the report on Form 8-K filed on February 16, 2006.

A report on Form 8-K was filed on July 24, 2006 to announce the resignation of the Chief Financial Officer and the appointment of the interim Chief Financial Officer.

A report on Form 8-K was filed on September 5, 2006 to announce the signing of the employment agreement with the Chief Financial Officer and the appointment of the Chief Financial Officer.

A report on Form 8-K was filed on December 29, 2006 to announce the sale of 250,000 shares of the Company's common stock to DKR SoundShore Oasis Holding Fund Ltd.

A report on Form 8-K was filed on March 12, 2007 to announce the signing of an agreement of the sale and purchase of shares between Smartest Man Holdings Limited and Tiptop Sky Holdings Limited.

A report on Form 8-K was filed on May 9, 2007 to announce the completion of the acquisition of 5% of the issued and outstanding share capital of China Pearls and Jewellery City Holdings Limited.

A report on Form 8-K was filed on June 4, 2007 to announce the change of auditors.

(c) Exhibits

Exhibit No.	Description
3.1	Restated Articles of Incorporation of Man Sang Holdings, Inc., including the Certificate of Designation, Preferences and Rights of a Series of 100,000 Shares of Preferred Stock, $.001 Par Value, Designated "Series A Preferred Stock," filed on January 12, 1996 (1)
3.2	Certificate of Designation, Preferences and Rights of a Series of 100,000 Shares of Preferred Stock, $.001 Par Value, Designated "Series B Preferred Stock," dated April 1, 1996 (2)
3.3	Amended Bylaws of Man Sang Holdings, Inc., effective as of January 10, 1996 (1)
3.4	Amended and Restated Bylaws of Man Sang Holdings, Inc., amended and effective as of August 4, 2005 (8)
10.1	Acquisition Agreement, Dated December __, 1995, between Unix Source America, Inc. and the Shareholders of Man Sang International (B.V.I.) Limited (1)
10.2	Tenancy Agreement, dated June 24, 1996, between Same Fast Limited and Man Sang Jewellery Company Limited (3)
10.3	Man Sang Holding, Inc. 1996 Stock Option Plan (3)
10.4	Service Agreement, dated September 8, 1997, between Man Sang International Limited and Cheng Chung Hing (5)
10.5	Service Agreement, dated September 8, 1997, between Man Sang International Limited and Cheng Tai Po (5)

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10.7	Service Agreement, dated September 8, 1997, between Man Sang International Limited and Sio Kam Seng (5)
10.8	Service Agreement, dated September 8, 1997, between Man Sang International Limited and Ng Hak Yee (5)
10.9	Service Agreement, dated September 8, 1997, between Man Sang International Limited and Yan Sau Man Amy (5)
10.10	Contract dated November 8, 1997, between Nan'ao Shaohe Pearl Seawater Culture Co., Ltd. of Guangdong Province, People's Republic of China, Man Sang Jewellery Co., Ltd. of Hong Kong and Chung Yuen Company o/b Golden Wheel Jewellery Mfr. Ltd. of Hong Kong to establish a cooperative joint venture in Nan'ao County, Guangdong Province, People's Republic of China (6)
10.11	Agreement dated January 2, 1998, between Overlord Investment Company Limited and Excel Access Limited, a subsidiary of the Company, pursuant to which Excel Access Limited will purchase certain real property located at Flat A, 33rd Floor, of Valverde, 11 May Road, Hong Kong for HK$15,050,000 (6)
10.12	Agreement for Sale and Purchase dated March 7, 1998, between City Empire Limited and Wealth-In Investment Limited, a subsidiary of the Company, pursuant to which Wealth-In Investment Limited purchased certain real property located at Flat B on the 20th Floor of The Mayfair, One May Road, Hong Kong, at a purchase price of HK$39,732,200 (7)
10.13	Service Agreement, dated February 10, 2000, between Man Sang International Limited and Wong Ka Ming (9)
10.14	Service Agreement, dated August 31, 2000, between Man Sang International Limited and Cheng Chung Hing (10)
10.15	Service Agreement, dated August 31, 2000, between Man Sang International Limited and Cheng Tai Po (10)
10.16	Service Agreement, dated August 31, 2000, between Man Sang International Limited and Yan Sau Man, Amy (10)
10.17	Agreement for the Sale and Purchase of Shares in China Pearls and Jewelry City Holdings Limited dated March 8, 2007 by and between Tiptop Sky Holdings Limited and Smartest Man Holdings Limited (11)
13.1	Annual report to security holders (4)
21.1	Subsidiaries of the Company

24.1	Power of Attorney (included on page 41)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer

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(1) Incorporated by reference to the exhibits filed with the Company's Current Report on Form 8-K dated January 8, 1996

(2) Incorporated by reference to the exhibits filed with the Company's Registration Statement on Form 8-A dated June 17, 1996

(3) Incorporated by reference to the exhibits filed with the Company's Quarterly Report on Form 10- QSB for the quarterly period ended December 31, 1996

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SIGNATURE

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, Man Sang Holdings, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MAN SANG HOLDINGS, INC.

Date: June 28, 2007

By: _____
CHENG Chung Hing, Ricky
Chairman of the Board, President and
Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Cheng Chung Hing, Ricky and Henry Au, his attorney-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Name	Title	Date
CHENG Chung Hing, Ricky	Chairman of the Board, President, and Chief Executive Officer	June 28, 2007
PAK Wai Keung, Martin	Chief Financial Officer	June 28, 2007
CHENG Tai Po	Vice Chairman of the Board	June 28, 2007
HUNG Kwok Wing, Sonny	Director	June 28, 2007

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(d) OF THE EXCHANGE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE EXCHANGE ACT

No annual report or proxy material has been forwarded to securities holders of the Registrant covering the Registrant's fiscal 2007; however, if any annual report or proxy material is furnished to security holders in connection with the annual meeting of stockholders to be held in 2007, a copy of any such annual report or proxy materials shall be forwarded to the Securities and Exchange Commission when it is sent to security holders.

INDEX TO EXHIBITS

The following documents are filed herewith or have been included as exhibits to previous filings with the Securities and Exchange Commission, and are incorporated by reference as indicated below.

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Exhibit 21.1

SUBSIDIARIES OF MAN SANG HOLDINGS, INC.

4376zone.com Limited
Arcadia Jewellery Limited
Asean Gold Limited
Cyber Bizport Limited
Excel Access Limited
Hong Kong Man Sang Investments Limited
M.S. Collections Limited
M.S. Electronic Emporium Limited
Man Hing Industry Development (Shenzhen) Co., Ltd. (Damei Pearls Jewellery Goods (Shenzhen) Co. Ltd. merged with Man Hing Industry Development (Shenzhen) Co., Ltd. during fiscal 2007)
Man Sang Development Company Limited
Man Sang Enterprise Ltd.
Man Sang Innovations Limited
Man Sang International (B.V.I.) Limited
Man Sang International Limited
Man Sang Jewellery Company Limited
Market Leader Technology Limited
Peking Pearls Company Limited
Swift Millions Limited
Man Sang China Investment Limited
Smartest Man Holdings Limited

AFFILIATES OF MAN SANG HOLDINGS, INC.

China Pearls and Jewellery City Holdings Limited
China Pearls and Jewellery International City Co., Ltd.

Exhibit 31.1

I, CHENG Chung Hing, Ricky, certify that:

1. I have reviewed this annual report on Form 10-K of Man Sang Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 28, 2007

CHENG Chung Hing, Ricky
Chairman of the Board, President,
Chief Executive Officer

Exhibit 31.2

I, PAK Wai Keung, Martin, certify that:

1. I have reviewed this annual report on Form 10-K of Man Sang Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 28, 2007

PAK Wai Keung, Martin
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Man Sang Holdings, Inc. (the "Company") on Form 10-K for the year ended March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Cheng Chung Hing, Ricky, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

CHENG Chung Hing, Ricky
Chief Executive Officer

Date: June 28, 2007

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Man Sang Holdings, Inc. (the "Company") on Form 10-K for the year ended March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, PAK Wai Keung, Martin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

PAK Wai Keung, Martin
Chief Financial Officer

Date: June 28, 2007

Consolidated Financial Statements

MAN SANG HOLDINGS, INC. AND SUBSIDIARIES

For the year ended March 31, 2007

MAN SANG HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Stockholders of
Man Sang Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Man Sang Holdings, Inc. and subsidiaries (the "Company") as of March 31, 2007, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for the year ended March 31, 2007, all expressed in Hong Kong dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2007, and the consolidated results of its operations and its cash flows for the year ended March 31, 2007 in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. Schedule II is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

As described in Note 2 to the consolidated financial statements, the Company has adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, effective as of April 1, 2006.

Grant Thornton

Certified Public Accountants
Hong Kong
28 June 2007

Moores Rowland Mazars
摩斯倫 · 馬賽會計師事務所

Chartered Accountants
Certified Public Accountants

34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong
香港銅鑼灣希慎道 33 號利園廣場 34 樓

Tel 電話 : (852) 2909 5555
Fax 傳真 : (852) 2810 0032

Email 電郵 : info@mr-mazars.com.hk
Website 網址 : www.mr-mazars.com.hk

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Stockholders of
Man Sang Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Man Sang Holdings, Inc. and subsidiaries (the "Company") as of March 31, 2006, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended March 31, 2006, all expressed in Hong Kong dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2006, and the consolidated results of its operations and its cash flows for each of the two years in the period ended March 31, 2006 in conformity with U.S. generally accepted accounting principles.

Our audits also comprehended the translation of Hong Kong dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers in the United States of America.

Moores Rowland Mazars

Chartered Accountants
Certified Public Accountants
Hong Kong
June 28, 2006

MAN SANG HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Dollars in thousands except share data)

	Year ended March 31,			
	2007	**2007**	2006	2005
	US$	***HK$***	*HK$*	*HK$*
Net sales	**51,061**	**398,279**	378,297	412,262
Cost of sales	**(36,613)**	**(285,580)**	(272,443)	(295,014)
Gross profit	**14,448**	**112,699**	105,854	117,248
Rental income, gross	**542**	**4,225**	3,362	4,646
	14,990	**116,924**	109,216	121,894
Selling, general and administrative expenses:				
Pearls	**(10,786)**	**(84,134)**	(70,411)	(81,862)
Real estate investment	**(755)**	**(5,888)**	(6,802)	(11,027)
Operating income	**3,449**	**26,902**	32,003	29,005
Interest expense	**-**	**-**	-	(100)
Interest income	**1,204**	**9,394**	7,140	1,067
Gain on sale of a real estate investment	**-**	**-**	-	34,248
Other income	**3,716**	**28,981**	2,312	1,617
Income before income taxes and minority interests	**8,369**	**65,277**	41,455	65,837
Income taxes expense	**(869)**	**(6,776)**	(4,095)	(6,129)
Minority interests	**(3,915)**	**(30,536)**	(19,748)	(32,792)
Net income	**3,585**	**27,965**	17,612	26,916
Other comprehensive income, net of taxes:				
Foreign currency translation adjustments	**85**	**661**	998	6
Unrealized holding gain on marketable securities arising during the year	**46**	**360**	1,618	319
Reclassification adjustment for realized gain upon sale of marketable securities included in net income for the year	**(210)**	**(1,632)**	-	-
Other comprehensive income, net of taxes	**(79)**	**(611)**	2,616	325
Comprehensive income	**3,506**	**27,354**	20,228	27,241
Basic earnings per common share	**0.55**	**4.31**	2.90	4.80
Diluted earnings per common share	**0.54**	**4.23**	2.74	4.24
Weighted average number of shares of common stock outstanding:				
- basic earnings per share	**6,382,582**	**6,382,582**	5,980,870	5,509,847
- diluted earnings per share	**6,382,582**	**6,382,582**	6,323,848	6,231,653

See accompany notes to consolidated financial statements.

MAN SANG HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands except share data)

	March 31,		
	2007	**2007**	2006
	US$	***HK$***	*HK$*
ASSETS			
Current assets:			
Cash and cash equivalents	**38,073**	**296,969**	304,753
Marketable securities	**1,071**	**8,350**	15,560
Accounts receivable, net of allowance for doubtful accounts of HK$22,436 and HK$22,265 in 2007 and 2006, respectively	**7,298**	**56,921**	47,330
Inventories, net	**5,922**	**46,195**	55,870
Prepaid expenses	**451**	**3,516**	5,775
Deposits and other receivables, net of allowance for doubtful accounts of HK$3,766 in 2007 and 2006	**1,654**	**12,906**	10,124
Other current assets	**18**	**141**	259
Income taxes receivable	**208**	**1,620**	1,257
Total current assets	**54,695**	**426,618**	440,928
Property, plant and equipment, net	**13,419**	**104,671**	102,295
Real estate investment, net	**7,818**	**60,979**	62,838
Investment in and advance to an affiliate	**11,101**	**86,587**	1,692
Deferred tax assets	**33**	**254**	1,022
Total assets	**87,066**	**679,109**	608,775

MAN SANG HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands except share data)

	March 31,		
	2007	**2007**	2006
	US$	***HK$***	*HK$*
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	**2,535**	**19,776**	11,477
Accrued payroll and employee benefits	**1,081**	**8,428**	9,405
Other accrued liabilities	**1,539**	**12,000**	12,928
Income taxes payable	**307**	**2,396**	2,049
Total current liabilities	**5,462**	**42,600**	35,859
Deferred tax liabilities	**294**	**2,290**	2,031
Minority interests	**40,238**	**313,860**	279,989
Commitments and contingencies (note 10 & 11)			
Stockholders' equity:			
Series A preferred stock US$0.001 par value			
- authorized, issued and outstanding 100,000 shares in 2007 and 2006 (entitled in liquidation to US$2,500 (HK$19,500))	**-**	**1**	1
Series B preferred stock US$0.001 par value			
- authorized 100,000 shares; no shares outstanding	**-**	**-**	-
Common stock of par value US$0.001			
- authorized 31,250,000 shares; issued and outstanding, 6,382,582 shares in 2007 and 2006	**6**	**49**	49
Additional paid-in capital	**8,891**	**69,350**	67,598
Retained earnings	**31,498**	**245,686**	217,364
Accumulated other comprehensive income	**677**	**5,273**	5,884
Total stockholders' equity	**41,072**	**320,359**	290,896
Total liabilities and stockholders' equity	**87,066**	**679,109**	608,775

See accompany notes to consolidated financial statements.

Man Sang Holdings, Inc. And Subsidiaries

Consolidated Statements of Stockholders' Equity

(Dollars in thousands except share data)

	Series A Preferred stock		Series B Preferred Stock		Common stock		Audit-ional paid-in capital	Retained earnings	Accumul-ated other compre-hensive income	Total Stock-holders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
		HK$		*HK$*		*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Balance at March 31, 2004	100,000	1	-	-	5,507,582	34	61,051	172,836	2,943	236,865
Issuance of common stock upon exercise of stock options	-	-	-	-	62,500	1	475	-	-	476
Stock compensation expense	-	-	-	-	-	-	134	-	-	134
Translation adjustment	-	-	-	-	-	-	-	-	6	6
Unrealized holding gain on marketable securities	-	-	-	-	-	-	-	-	319	319
Net income	-	-	-	-	-	-	-	26,916	-	26,916
Balance at March 31, 2005	100,000	1	-	-	5,570,082	35	61,660	199,752	3,268	264,716
Issuance of common stock upon exercise of stock options	-	-	-	-	812,500	14	5,938	-	-	5,952
Translation adjustment	-	-	-	-	-	-	-	-	998	998
Unrealized holding gain on marketable securities	-	-	-	-	-	-	-	-	1,618	1,618
Net income	-	-	-	-	-	-	-	17,612	-	17,612
Balance at March 31, 2006	100,000	1	-	-	6,382,582	49	67,598	217,364	5,884	290,896
Issuance of common stock by a subsidiary	-	-	-	-	-	-	(517)	-	-	(517)
Stock compensation expense	-	-	-	-	-	-	2,626	-	-	2,626
Share options of a subsidiary lapsed	-	-	-	-	-	-	(357)	357	-	-
Translation adjustment	-	-	-	-	-	-	-	-	661	661
Unrealized holding gain on marketable securities	-	-	-	-	-	-	-	-	(1,272)	(1,272)
Net income	-	-	-	-	-	-	-	27,965	-	27,965
Balance at March 31, 2007	**100,000**	**1**	**-**	**-**	**6,382,582**	**49**	**69,350**	**245,686**	**5,273**	**320,359**
		-		**-**		**US$6**	**US$8,891**	**US$31,498**	**US$677**	**US$41,072**

As of March 31, 2007, 2006 and 2005, retained earnings in the amounts of HK$4,867, HK$4,867 and HK$4,867, respectively, have been reserved by the subsidiaries in the People's Republic of China (the "PRC") in accordance with the relevant PRC regulations, this reserve is only distributable in the event of liquidation of these PRC subsidiaries.

See accompany notes to consolidated financial statements.

MAN SANG HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands except share data)

	Year ended March 31,			
	2007	**2007**	2006	2005
	US$	***HK$***	*HK$*	*HK$*
Cash flow from operating activities				
Net income	**3,585**	**27,965**	17,612	26,916
Adjustments to reconcile net income to net cash provided by operating activities:				
Bad debt provision	**199**	**1,551**	286	9,057
Inventory write down	**939**	**7,327**	25,000	32,300
Provision for impairment loss of long-term investments	**-**	**-**	-	856
Depreciation and amortization	**1,064**	**8,299**	7,602	8,157
Impairment loss on property, plant and equipment	**-**	**-**	-	2,617
Gain on sale of real estate investment	**-**	**-**	-	(34,248)
Loss (Gain) on sale of property, plant and equipment	**51**	**399**	(1)	(136)
Minority interest	**3,915**	**30,536**	19,748	32,792
Realized gain on sale of marketable securities	**(611)**	**(4,769)**	(706)	-
Stock compensation expense	**682**	**5,317**	-	134
Changes in operating assets and liabilities, net of effects from sale of subsidiaries:				
Accounts receivable	**(1,428)**	**(11,142)**	(122)	7,384
Inventories	**366**	**2,855**	2,473	303
Prepaid expenses	**291**	**2,267**	(1,283)	(1,319)
Deposits and other receivables	**(341)**	**(2,662)**	(4,769)	1,540
Other current assets	**15**	**118**	123	1,395
Income taxes receivable	**(47)**	**(363)**	(573)	(223)
Deferred tax assets	**98**	**768**	(764)	(84)
Accounts payable	**1,055**	**8,226**	2,785	(4,649)
Accrued payroll and employee benefits	**(128)**	**(1,000)**	(2,568)	3,435
Other accrued liabilities	**(136)**	**(1,061)**	2,224	636
Income taxes payable	**44**	**347**	(2,538)	323
Deferred tax liabilities	**33**	**259**	818	392
Net cash provided by operating activities	**9,646**	**75,237**	65,347	87,578
Cash flow from investing activities				
Proceeds from sale of property, plant and equipment	**34**	**268**	915	320
Proceeds from sale of real estate investment	**-**	**-**	-	71,610
Purchase of property, plant and equipment	**(1,140)**	**(8,893)**	(6,742)	(10,009)
Acquisition and advance to an affiliate	**(10,884)**	**(84,895)**	(1,692)	-
Purchase of marketable securities	**-**	**-**	(5,051)	-
Purchase of real estate investment	**-**	**-**	-	-
Proceeds from sale of marketable securities	**1,206**	**9,405**	1,893	-
Net cash (used in) provided by investing activities	**(10,784)**	**(84,115)**	(10,677)	61,921

MAN SANG HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands except share data)

	Year ended March 31,			
	2007	**2007**	2006	2005
	US$	***HK$***	*HK$*	*HK$*
Cash flow from financing activities				
Net proceeds from issuance of common shares by a subsidiary	**97**	**759**	-	-
Repayment of long-term debts	**-**	**-**	-	(11,591)
Net proceeds from issuance of common stock	**-**	**-**	5,952	476
Net cash provided by (used in) financing activities	**97**	**759**	5,952	(11,115)
Net (decrease) increase in cash and cash equivalents	**(1,041)**	**(8,119)**	60,622	138,384
Cash and cash equivalents at beginning of year	**39,071**	**304,753**	243,297	104,907
Exchange adjustments	**43**	**335**	834	6
Cash and cash equivalents at end of year	**38,073**	**296,969**	304,753	243,297
Supplementary disclosures of cash flow information:				
Cash paid during the year for:				
Interest and finance charges		**-**	-	108
Income taxes paid	**664**	**5,182**	9,008	5,672

See accompany notes to consolidated financial statements.

1. ORGANIZATION AND ACQUISITION AND DIVESTITURE

Activities and organization

Man Sang Holdings, Inc. (the "Company") was incorporated in the State of Nevada, the United States of America on November 14, 1986.

The principal activities of the Company comprise the processing and sale of South Sea, fresh water and cultured pearls and jewelry products. The selling and administrative activities are performed in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") and the processing activities are conducted by subsidiaries operating in Guangdong Province, the People's Republic of China ("the PRC"). The Company also derives rental income from real estate located at its pearl processing facility in the PRC and from offices in Hong Kong. The Company's activities are principally conducted by its subsidiary, Man Sang International Limited ("MSIL"), a Bermuda incorporated company which is listed on The Stock Exchange of Hong Kong Limited.

On October 6, 2003, Messrs. Cheng Chung Hing and Cheng Tai Po, major beneficial shareholders and directors of the Company purchased a 7.2% equity interest in MSIL from Man Sang International (B.V.I.) Limited, which is a wholly-owned subsidiary of the Company and through which the Company holds all of its equity interest in MSIL. The aggregate consideration was HK$8,940, and the purchase price per share was the arithmetic average of the closing price of MSIL shares for each of five trading days immediately preceding and including October 6, 2003. In connection with this transaction between parties under common control, the Company has recorded the amount by which value of the net assets in MSIL attributable to the shares of MSIL sold (as represented by the 60 million MSIL shares sold) exceeded the consideration, in the amount of HK$21,852, as a distribution to shareholders.

As a result of this transaction the Company's equity interest in MSIL was reduced to 49.4%. The Company continues to account for MSIL as a consolidated subsidiary because it continues to have control over the operating and financial decision of MSIL.

During fiscal 2007, a total of 3,000,000 options to purchase MSIL shares were exercised, resulting in the Company's equity interest in MSIL being reduced to 49.3%. As of March 31, 2007 and 2006, the Company had an equity interest of 49.3% and 49.4% in MSIL, respectively.

Acquisition and divestiture

The Company has also made a number of long-term investments in companies that supply the Company or distribute its products. The Company has an investment of Renminbi 5,100 (HK$4,730) for a 19.5% stake in a pearl farm located in Nan'ao County in Guangdong Province in the PRC through a cooperative joint venture which has a duration of 11 years. In case of termination or liquidation of the joint venture, the Company is entitled to receive 19.5% of the net assets of the joint venture. As a result of the poor operating performance of the pearl farm, the Company recognized impairment losses of HK$3,000 in 2002 and HK$1,730 in 2004 and are included in selling, general and administrative expenses – Pearls in the consolidated statements of income and comprehensive income.

1. ORGANIZATION AND ACQUISITION AND DIVESTITURE (CONTINUED)

Acquisition and divestiture (Continued)

In April 2000, MSIL acquired all the issued share capital of Intimex Business Solutions Company Limited ("IBS") for a consideration of HK$2,100 which was satisfied by the issuance of 42,000,000 new shares of HK$0.05 each in Cyber Bizport Limited, a wholly owned subsidiary of MSIL, representing 21% of the enlarged issued share capital of Cyber Bizport Limited. As a result, MSIL holds a 79% equity interest in Cyber Bizport Limited which in turn holds the entire equity interest in IBS. The principal business of IBS is the provision of computer consulting services.

The acquisition was accounted for as a purchase and the results of IBS and its subsidiary have been included in the accompanying consolidated financial statements since the date of acquisition. The excess of the purchase consideration over the fair value of the net assets acquired was HK$1,179 and was recorded as goodwill which was initially amortized on a straight-line basis over three years. In view of the unsatisfactory financial performance of IBS, the Company recorded an impairment loss for the entire unamortized amount of goodwill, totaling HK$591 in 2002.

On March 31, 2003, the Company acquired the remaining 21% equity interest of Cyber Bizport Limited in exchange for its entire 79% indirect equity interest in IBS. The Company has accounted for this transaction under the purchase method of accounting. Accordingly, the fair value of the Company's equity interest in IBS, totaling HK$341 was treated as the purchase price for accounting purpose. There was no significant goodwill as a result of this acquisition.

In July 2002, a wholly-owned subsidiary of the Company acquired a 30% equity interest of China South City Holdings Limited for HK$300, which was accounted for using the equity method in the accompanying financial statements. There was no significant goodwill as a result of this acquisition. In December 2002, the Company disposed of its entire equity interest in that subsidiary to Messrs. Cheng Chung Hing and Cheng Tai Po for a consideration of HK$300.

On October 17, 2002, the Company disposed of its entire 18% equity interest in Gold Treasure International Jewellery Company Limited ("GTI") for a consideration of HK$900. The principal business of GTI was the production of accessories in gold, silver and/or other gems.

On December 1, 2002, a wholly owned subsidiary of MSIL acquired a business by acquiring property, plant and equipment, inventories and customer information from a jewelry company for a total consideration of HK$7,200. The acquisition was accounted for as a purchase and HK$5,046 of the purchase price was allocated to property, plant and equipment and HK$2,154 to inventories based on their respective fair values at the date of acquisition. The fair value of the customer information acquired is considered to be insignificant by the Company's management. The results of the acquired business have been included in the consolidated financial statements since the date of acquisition.

On February 1, 2004, a wholly owned subsidiary of MSIL acquired all of the assets and liabilities including customer information of a jewelry factory for a total consideration of HK$190 which was settled by an offset of a receivable from the vendor. The acquisition was accounted for using the purchase method of accounting. Accordingly, the purchase price has been allocated to the assets acquired based on the estimated fair values at the date of acquisition. The operating results of this business have been included in the consolidated financial statements since the date of acquisition.

1. ORGANIZATION AND ACQUISITION AND DIVESTITURE (CONTINUED)

The following table presents the allocation of the purchase price to the assets and liabilities acquired:

	HK$
Property, plant and equipment	1,020
Inventories	164
Accounts receivable	370
Other current assets	208
Cash and cash equivalents	373
Accounts payable	(23)
Other accrued liabilities	(1,922)
	190

The fair value of the customer information acquired is considered to be insignificant by the Company's management.

In February 2006, a wholly-owned subsidiary of MSIL acquired 100% equity interest of Smartest Man Holdings Limited ("SMHL"). SMHL owns 49% equity interest of China Pearls and Jewellery City Holdings Limited ("CPJC"), which was accounted for using the equity method in the accompanying financial statements. There was no significant goodwill as a result of this investment. The principal business of CPJC is the development of the Zhuji Jewellery City Project.

In March 2007, SMHL entered into an agreement in relation to acquiring the additional 6% equity interest of CPJC. Upon completion of acquisition in April 2007, MSIL had 55% equity interest of CPJC, which has become a subsidiary of MSIL and reported as a business combination in the financial statements subsequently.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The consolidated financial statements of the Company have been prepared in accordance with the accounting principles generally accepted in the United States of America ("US GAAP").

Principles of consolidation - The consolidated financial statements include the assets, liabilities, revenues and expenses of Man Sang Holdings, Inc. and all of its subsidiaries. All material intra-group transactions and balances have been eliminated.

Investment in and advance to an affiliate - An affiliate over which the Company has the ability to exert significant influence, but does not have a controlling interest (generally 20% to 50% owned), and thereby has the ability to participate in the investees' financial and operating policy decisions, is accounted for using the equity method. The Company's share of earnings of the affiliate is included in the accompanying consolidated statements of income and comprehensive income. As of March 31, 2007 and 2006, it represents advance to the affiliate which is unsecured, non-interest bearing and has no fixed repayment term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents - Cash and cash equivalents include cash on hand, demand deposits, interest bearing savings accounts, and time certificates of deposit with a maturity of three months or less when purchased.

Inventories - Inventories are stated at the lower of cost determined by the weighted average method, or market value. Finished goods inventories consist of raw materials, direct labor and overhead associated with the processing of pearls and jewelry products.

Marketable securities - The Company classifies its marketable securities as available-for-sale and carries them at market value with a corresponding recognition of net unrealized holding gain or loss (net of tax) as a separate component of stockholders' equity until realized. Unrealized losses are charged against net earnings when a decline in fair value is determined to be other than temporary. Gains and losses on sales of securities are computed on a specific identification basis. Marketable securities comprise:

	March 31, 2007 *HK$*	March 31, 2006 *HK$*
Publicly traded corporate equity securities listed in Hong Kong, net of other-than-temporary impairment	**5,540**	10,177
Gross unrealized gains	**2,810**	5,383
Fair value of marketable securities	**8,350**	15,560

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-lived assets - The Company periodically evaluates the carrying value of long-lived assets to be held and used, including goodwill and other intangible assets through March 31, 2002, whenever events and circumstances indicate that the carrying value of the asset may no longer be recoverable. An impairment loss, measured based on the fair value of the asset, is recognized if expected future undiscounted cash flows are less than the carrying amount of the assets.

Property, plant and equipment - Property, plant and equipment is stated at cost. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets as follows:

Leasehold land and buildings	50 years, or less if the lease period is shorter
Plant and machinery	4 to 5 years
Furniture and equipment	4 years
Motor vehicles	4 years

Assets under construction are not depreciated until construction is complete and the assets are ready for their intended use. No interest was capitalized in the three years ended March 31, 2007.

Real estate investment - Leasehold land and buildings held for investment are stated at cost. Cost includes the cost of the purchase of the land and construction costs, including finance costs incurred during the construction period. Depreciation of land and buildings is computed using the straight-line method over the term of the underlying lease of the land on which the buildings are located up to a maximum of 50 years.

Long-term investments - The Company's long-term investments are accounted for under the cost method. The Company periodically evaluates the carrying value of long-term investments held, whenever events and circumstances indicate that the carrying value of the investment may no longer be recoverable. The Company recognizes impairment losses based on the estimated fair value of the investments.

Revenue recognition - The Company recognizes revenue at the time products are shipped to the customers and title is passed, provided that there is evidence of a final arrangement, there are no uncertainties surrounding acceptance, collectibility of such sales is reasonably assured and the price is fixed. Revenues are comprised of gross sales less returns and discounts. Property rental income is recognized on a straight-line basis over the term of the lease, and is stated at the gross amount.

Income taxes - Deferred income taxes are provided using the asset and liability method. Under this method, deferred income taxes are recognized for all significant temporary differences and classified as current or non-current based upon the classification of the related asset or liability in the financial statements. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all, the deferred tax asset will not be realized.

Net earnings per share ("EPS") - Basic EPS excludes dilution and is computed by dividing net income attributable to common shareholders by the weighted average of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock (warrants to purchase common stock and common stock options) were exercised or converted into common shares. EPS for all periods presented have been computed in accordance with Statement of Financial Accounting Standard ("SFAS") No. 128 "Earnings Per Share" issued by the Financial Accounting Standards Board ("FASB").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On July 22, 2005, the Company's Board of Directors approved a five-for-four stock split of the Company's common stock, par value US$0.001, effected in the form of a stock dividend for stockholders of record on July 22, 2005. In accordance with the Securities and Exchange Commission's Staff Accounting Bulletin Topic 4C, "Equity Accounts and Change in Capital Structure", and SFAS No. 128, "Earnings Per Share", the Company restated all the share and per share data in these consolidated financial statements for each of the three years in the year ended March 31, 2007, to reflect the capital structure subsequent to the five-for-four stock split, which became effective on August 5, 2005.

EPS is calculated in accordance with SFAS No. 128 by application of the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating securities according to dividends declared (or accumulated) and participation rights in undistributed earnings. Per share data is calculated using the weighted average number of shares of common stock outstanding during the year.

Reconciliation of the basic and diluted EPS is as follows:

	For the year ended March 31, 2007			For the year ended March 31, 2006			For the year ended March 31, 2005		
	Earnings	Shares	EPS	Earnings	Shares	EPS	Earnings	Shares	EPS
	HK$'000		*HK$*	*HK$'000*		*HK$*	*HK$'000*		*HK$*
Basic EPS:									
Net income	27,965			17,612			26,916		
Allocated to Series A preferred stock	(431)			(289)			(480)		
Net income available to common stockholders, adjusted	27,534	6,382,582	4.31	17,323	5,980,870	2.90	26,436	5,509,847	4.80
Effect of dilutive securities									
Stock options granted by the Company	-	-		-	342,978		-	721,806	
Stock options granted by a listed subsidiary	(537)	-		-	-		-	-	
Diluted EPS:									
Net income available to common stockholders, including conversion	26,997	6,382,582	4.23	17,323	6,323,848	2.74	26,436	6,231,653	4.24

Foreign currency translation - Assets and liabilities of foreign subsidiaries are translated from their functional currency to Hong Kong Dollars at year end exchange rates, while revenues and expenses are translated at average exchange rates during the year. Adjustments arising from translating foreign currency financial statements are reported as a separate component of stockholders' equity. Gains or losses from foreign currency transactions are included in the statement of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency risk - The Renminbi ("RMB") is not a freely convertible currency. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. The cash and cash equivalents of the Company included aggregate amounts of HK$12,562 at March 31, 2007 and HK$13,282 at March 31, 2006, which are denominated in RMB.

The PRC subsidiaries conduct their business substantially in the PRC, and their financial performance and position are measured in terms of RMB. Any devaluation of the RMB against the United States dollar would consequently have an adverse effect on the financial performance and asset values of the Company when measured in terms of United States dollars.

Stock-based compensation – The Company has a stock-based employee compensation plan, which provides for the issuance of stock options. Prior to April 1, 2006, the Company adopted SFAS No. 123 "Accounting for Stock-Based Compensation". Effective April 1, 2006, the Company has adopted SFAS No. 123 (Revised 2004), "Share-Based Payment". Prior periods were not restated to reflect the impact of adopting the new standard as the Company has already elected to account for its stock option plan using fair value method in accordance with SFAS No. 123 and no stock options were outstanding and unvested as of April 1, 2006. Following the adoption of SFAS No. 123(R), stock-based compensation expense recognized during the year includes compensation expense for all share-based payments granted based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R) and recognized over the vesting period. Stock-based compensation expense is included in selling, general and administrative expenses.

Staff retirement plan costs - The Company's costs related to the defined contribution retirement plans are charged to the consolidated statement of income as incurred.

Translation into United States Dollars - The financial statements of the Company are maintained, and its consolidated financial statements are expressed, in Hong Kong dollars. The translations of Hong Kong dollar amounts into U.S. dollars are for the convenience of readers in the United States of America only and have been made at the rate of HK$7.8 to US$1, the approximate free rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Hong Kong dollar amounts could be converted into U.S. dollars at that rate or any other rate.

Advertising and promotion costs – Advertising and promotion expenses are expensed when incurred. Advertising costs included in selling, general and administrative expenses were HK$803, HK$969 and HK$821 for the years ended March 31, 2007, 2006 and 2005, respectively.

Use of estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comprehensive income - The Company reports comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income". Accumulated other comprehensive income represents

translation adjustments and unrealized holding losses on marketable securities and is included in the stockholders' equity section of the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent changes in accounting pronouncements – In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109" ("FIN No. 48"). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN No. 48 requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The first step is recognition, whereby a determination is made whether it is more-likely-than-not that a tax position will be sustained upon examination based on the technical merits of the position. The second step is to measure a tax position that meets the recognition threshold to determine the amount of benefit to recognize. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 will apply to fiscal years beginning after December 15, 2006, with earlier adoption permitted. The Company considers that the adoption of FIN No. 48 will not have significant impact on its financial statements. In May 2007, FASB Staff Position (FSP) amends FIN No. 48, to provide guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits.

In September 2006, the FASB published SFAS No. 157, "Fair Value Measurements", to eliminate the diversity in practice that exists due to the different definitions of fair value and the limited guidance for applying those definitions in GAAP that are dispersed among many accounting pronouncements that require fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). SFAS No. 157 also stipulates that, as a market-based measurement, fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability, and establishes a fair value hierarchy that distinguishes between (a) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (b) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, although earlier application is encouraged. Additionally, prospective application of the provisions of SFAS No. 157 is required as of the beginning of the fiscal year in which it is initially applied, except when certain circumstances require retrospective application. The Company does not believe that the adoption of SFAS No. 157 will have a significant impact on its financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" which permits entities to choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 will be effective for the Group on April 1, 2008. The Company does not expect the adoption of SFAS No. 159 will have a significant impact on its financial statements.

3. OTHER INCOME

	Year ended March 31,		
	2007	2006	2005
Other income consists of the following:	***HK$***	*HK$*	*HK$*
Sale of obsolete inventories	**22,461**	-	-
Gain on sale of marketable securities	**4,769**	706	-
Others	**1,751**	1,606	1,617
	28,981	2,312	1,617

4. INCOME TAXES

Income is subject to taxation in the various countries in which the Company and its subsidiaries operate.

The components of income before income taxes and minority interests are as follows:

	Year ended March 31,		
	2007	2006	2005
	HK$	*HK$*	*HK$*
Hong Kong	**60,309**	47,899	81,960
Other regions in the PRC	**6,514**	(6,122)	(11,617)
Corporate expense, net	**(1,546)**	(322)	(4,506)
	65,277	41,455	65,837

Certain activities conducted by the Company's subsidiaries may result in current income recognition, for U.S. tax purpose, by the Company even though no actual distribution is received by the Company from the subsidiaries. However, such income, when distributed, would generally be considered previously taxed income to the Company and thus would not be subject to U.S. federal income tax again.

4. INCOME TAXES (CONTINUED)

Hong Kong companies are subject to Hong Kong taxation on their activities conducted in Hong Kong. Under the current Hong Kong laws, dividends and capital gains arising from the realization of investments are not subject to income taxes and no withholding tax is imposed on payments of dividends by the Hong Kong incorporated subsidiaries to the Company.

The Company has subsidiaries which are incorporated in Guangdong Province, China and operate in the special economic zone of Shenzhen. These companies are subject to PRC income taxes at the applicable tax rate (currently 15%) on taxable income based on income tax laws applicable to foreign enterprises.

The provision for income tax expense (benefit) consists of the following:

	Year ended March 31,		
	2007	2006	2005
	HK$	*HK$*	*HK$*
Current tax			
Subsidiaries operating in:			
Hong Kong	**4,448**	5,724	6,254
Other regions	**719**	172	(482)
	5,167	5,896	5,772
Deferred tax			
Subsidiaries operating in Hong Kong	**1,609**	(1,801)	357
Total	**6,776**	4,095	6,129

A reconciliation between the provision for income tax expense computed by applying the United States statutory tax rate to income before income taxes and minority interests and the actual provision for income tax expenses is as follows:

	Year ended March 31,		
	2007	2006	2005
	HK$	*HK$*	*HK$*
Applicable U.S. federal tax rate	**34%**	34%	34%
Provision of income taxes at the applicable U.S. federal tax rate on income for the year	**22,194**	14,095	22,385
Non-deductible expenses	**1,328**	2,347	2,463
Non-taxable income	**(8,243)**	(4,590)	(6,610)
Changes in valuation allowance	**1,990**	(1,748)	66
International rate difference	**(10,617)**	(6,689)	(11,443)
Others	**124**	680	(732)
	6,776	4,095	6,129

4. INCOME TAXES (CONTINUED)

Temporary differences and operating loss carry forwards that give rise to deferred tax assets and liabilities are as follows:

	March 31,	
	2007	2006
	HK$	*HK$*
Deferred tax assets:		
Operating loss carry forwards	**2,357**	3,212
Valuation allowance	**(2,010)**	(2,622)
Net deferred tax assets	**347**	590
Deferred tax liabilities:		
Property, plant and equipment	**(2,383)**	(1,599)
	(2,036)	(1,009)

The deferred tax balances are classified in the consolidated balance sheet as follows:

	Year ended March 31,	
	2007	2006
	HK$	*HK$*
Non-current assets	**254**	1,022
Non-current liabilities	**(2,290)**	(2,031)
	(2,036)	(1,009)

As of March 31, 2007, subsidiaries of the Company had total losses available for carry forward for Hong Kong tax purposes, subject to the agreement of the Hong Kong Inland Revenue Department, amounting to approximately HK$13,468, which have no expiration date. The tax loss carry forwards can only be utilized by the subsidiaries generating the losses.

Due to the uncertainty of the ability of the subsidiaries to realize the resultant deferred tax asset of HK$2,357, the Company has established a valuation allowance in the amount of HK$2,010.

U.S. deferred tax liabilities have not been provided on approximately HK$466,000 of undistributed earnings of foreign subsidiaries because the Company intends to reinvest those earnings permanently. It is not practicable to estimate the amount of additional taxes that might be payable upon distribution of such earnings.

5. INVENTORIES, NET

Inventories by major categories are summarized as follows:

	Year ended March 31,	
	2007	2006
	HK$	*HK$*
Raw materials	**17,914**	11,838
Work in progress	**6,202**	6,154
Finished goods	**22,079**	37,878
	46,195	55,870

During the years ended March 31, 2007, 2006 and 2005, the Company made a write-down of inventories, amounting to HK$7,327, HK$25,000 and HK$32,300 respectively.

6. STAFF RETIREMENT PLANS

The Company participates in a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong with effect from December 1, 2000. The assets of the MPF Scheme are held separately from those of the Company in funds under the control of an independent trustee. The Company contributes 5% of relevant payroll costs (monthly contribution is limited to 5% of HK$20 for each eligible employee) to the MPF Scheme, which contribution is matched by employees.

The employees of the Company's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the local PRC government. The subsidiaries are required to contribute 8% of the average basic salary to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit scheme is to make the specified contributions.

The total contributions made for the years ended March 31, 2007, 2006 and 2005 amounted to HK$1,376, HK$901 and HK$993, respectively.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the followings:

	Year ended March 31,	
	2007	2006
	HK$	*HK$*
Leasehold land and buildings	**124,667**	121,794
Plant and machinery	**15,918**	13,303
Furniture and equipment	**13,584**	13,326
Motor vehicles	**5,478**	4,175
	159,647	152,598
Less: Accumulated depreciation	**(54,976)**	(50,303)
Net book value	**104,671**	102,295

8. REAL ESTATE INVESTMENT

	Year ended March 31,	
	2007	2006
	HK$	*HK$*
At cost:		
Leasehold land and buildings		
- Hong Kong	**36,280**	36,280
- Other regions of the PRC	**39,010**	39,010
	75,290	75,290
Less: Accumulated depreciation	**(14,311)**	(12,452)
Net book value	**60,979**	62,838

The real estate investment in other regions of the PRC represents the Company's interest in an industrial complex known as Man Sang Industrial City located in Gong Ming Zhen, Shenzhen. Part of the industrial complex is used by the Company and is included in property, plant and equipment. The remaining leasehold land and buildings are classified as real estate investment and are leased to unaffiliated third parties under non-cancelable operating lease agreements. The real estate investment in Hong Kong principally represents office premises leased to unaffiliated third parties under non-cancelable operating lease agreements. Leases are negotiated for an average term of one to two years and rentals are fixed during the relevant lease period.

Rental income relating to such operating leases is included in gross rental income in the consolidated statements of income and amounted to HK$4,225, HK$3,362 and HK$4,646 for the years ended March 31, 2007, 2006 and 2005, respectively.

8. REAL ESTATE INVESTMENT (CONTINUED)

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	As of March 31, 2007
	HK$
Year ending March 31,	
2008	3,245
2009	1,895
2010	119
	5,259

As of March 31, 2007, leasehold land and buildings (note 7) with a net book value of HK$32,822 and real estate investment with a net book value of HK$12,921 were pledged as collateral for bank credit facilities of HK$105,000 and HK$47,000, which were unused as of March 31, 2007 and 2006, respectively. There is no restriction on the use of the assets pledged for such facilities.

9. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the followings:

	Year ended March 31,	
	2007	2006
	HK$	*HK$*
Accrued expenses	**5,433**	5,631
Deposits received	**2,144**	1,533
Value-added tax payable	**-**	614
Purchase consideration for a business	**1,000**	1,000
Sundry payables	**-**	947
Others	**3,423**	3,203
	12,000	12,928

10. COMMITMENTS

The Company leases premises under various operating leases which do not contain any escalation clauses and all of the leases contain a renewal option. Rental expense under operating leases was HK$3,563, HK$1,978 and HK$1,793 for the years ended March 31, 2007, 2006 and 2005, respectively.

As of March 31, 2007, the Company and its subsidiaries were obligated under non-cancelable operating leases requiring minimum rentals as follows:

	As of March 31, 2007
	HK$
Year ending March 31,	
2008	3,494
2009	920
2010	70
	4,485

As of March 31, 2007, the Group had capital commitment of HK$60,000 in relation to its acquisition of 6% equity interest of the Zhuji project.

11. CONTINGENCIES

On December 2, 2003, Arcadia Jewellery Limited ("Arcadia"), a subsidiary of the Company, filed a lawsuit in Hong Kong against its former general manager and certain other parties (the "Defendants") for breach of a business transfer agreement and an employment agreement and a consultancy agreement ("Case 1"). Arcadia is claiming against the Defendants for, inter alia, account and inquiry; repayment of monies of at least HK$832; damages; interest; a declaration that the consultancy agreement is null and void and Arcadia is entitled to rescind the same; a declaration that Arcadia is entitled to exercise its rights under the business transfer agreement (i.e. not to pay the balance of the purchase consideration of HK$1,000); return of the purported consultancy fees or earnest money, the amount of which is to be assessed; costs and further or other relief.

On December 22, 2003, this former general manager filed a lawsuit in Hong Kong against Arcadia in respect of the aforesaid employment agreement for monetary claim of approximately HK$395 and also a declaration that the restraint of trade covenants under the aforesaid employment agreement are void and unenforceable. Afterwards, this former general manager agreed to transfer his monetary claim to the Labour Tribunal in Hong Kong and consolidate the rest of his case into Case 1. Although it is not possible to predict with certainty at the moment the outcome of these unresolved legal actions or pending claim or the range of possible loss or recovery, the Company does not believe that the resolution of these matters will have a material adverse effect on the Company's financial position or operating results.

12. CAPITAL STOCK

The Company's capital stock consists of common stock and Series A preferred stock and Series B convertible preferred stock.

Before November 23, 2005, the voting rights of the holders of common stock are subject to the rights of the outstanding Series A preferred shares which, as a class, is entitled to one-third voting control of the Company. Accordingly, the holders of common stock and Series A preferred shares hold, in the aggregate, more than fifty percent of the total voting rights and they can elect all of the directors of the Company. However, on November 23, 2005, the Company submitted a Certificate of Amendment to Certificate of Designation For Nevada Profit Corporations, fixing the number of votes for holders of 100,000 issued and outstanding shares of the Company's Series A preferred stock at 3,191,225 shares of the Company's common stock.

Holders of the 100,000 issued and outstanding shares of Series A preferred stock (the "Series A preferred shares") are entitled, as a class, to 3,191,225 of the Company in all matters voted on by stockholders and a liquidation preference of US$25 per share. Except for the foregoing, the holders of the Series A preferred shares have no preferences or rights in excess of those generally available to the holders of common stock. The holders of Series A preferred shares are entitled to participate in any dividends paid ratably with the holders of common stock.

The directors have authorized a series of preferred stock designated as Series B convertible preferred stock (the "Series B preferred shares"). A total of 100,000 Series B preferred shares were authorized. Except to the extent declared by the directors from time to time, if ever, no dividends are payable with respect to the Series B preferred shares. Additionally, the Series B preferred shares have no voting rights except that the approval of holders of a majority of such shares is required to (1) authorize, create or issue any shares of any class or series ranking senior to the Series B preferred shares as to liquidation preference, (2) amend, alter or repeal, by any means, the Company's certificate of incorporation if the powers, preferences, or special rights of the Series B preferred shares would be adversely affected, or (3) become subject to any restriction on the Series B preferred shares, other than restrictions arising solely under Nevada law or existing under the certificate of incorporation as in effect on December 31, 1995. The Series B preferred shares have a liquidation preference of US$1,000 per share and are subject, at the election of the Company, to redemption or conversion at such price after December 31, 1997. At March 31, 2007, no shares of Series B preferred stock were outstanding.

On July 22, 2005, the Company's Board of Directors approved a five-for-four stock split of the Company's common stock, par value US$0.001, effected in the form of a stock dividend for stockholders of record on July 22, 2005. As a result, the Company restated all the share and per share data for each of the three years ended March 31, 2006, to reflect the capital structure subsequent to the five-for-four stock split, which became effective on August 5, 2005.

On June 7, 2002, the Company issued in aggregate 512,500 shares of common stock of par value US$0.001 per share to two business consultants pursuant to two separate business consulting agreements dated June 1, 2002. The amount of the relevant compensation expenses of approximately HK$2,174, being the fair value of the shares issued, is being recognized over the service period of the contracts. Approximately HK$181, HK$1,087 and HK$906 was charged to the statement of income during the years ended March 31, 2005, 2004 and 2003, respectively.

12. CAPITAL STOCK (CONTINUED)

On April 30, 2003, the Company repurchased 512,500 shares of common stock, par value US$0.001 per share at a price of US$1.2 per share. These shares were cancelled on May 2, 2003.

During the year ended March 31, 2005, 62,500 stock options were exercised at a price of US$0.976 per share. A total of 62,500 shares of common stock, par value of US$0.001 was issued accordingly.

During the year ended March 31, 2006, 500,000 and 312,500 stock options were exercised at prices of US$0.976 per share and US$0.88 per share, respectively. A total of 812,500 shares of common stock, par value of US$0.001 was issued accordingly.

13. STOCK OPTION PLANS

MSIL options

On August 2, 2002, MSIL adopted a new share option scheme (the "2002 Scheme") and terminated the one adopted on September 8, 1997 (the "1997 Scheme"). In accordance with the 2002 Scheme, MSIL may grant options to any person being an employee, officer, agent, or consultant of group headed by MSIL ("MSIL Group") including executive or non-executive directors of MSIL Group to subscribe for shares in MSIL at a price determined by the Board of directors of MSIL being at least the highest of (a) the closing price of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the option, which must be a trading day; (b) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (c) the nominal value of the shares. The purpose of the 2002 Scheme is to provide incentives to the people who were granted options to contribute to MSIL Group and to enable MSIL Group to recruit high-caliber employees and attract resources that are valuable to MSIL Group.

The total number of shares which may be issued upon exercise of all options to be granted, together with all options to be granted under any other share option scheme(s) of MSIL and/or any of its subsidiaries, must not represent more than 10% of the nominal amount of all the issued shares of MSIL as of August 2, 2002.

The 2002 Scheme is valid and effective for a period of 10 years commencing August 2, 2002. At March 31, 2004, 75,187,093 options were available for future grant under the 2002 Scheme.

On May 2, 2006 and September 18, 2006, MSIL granted options ("MSIL Options") to purchase 48,000,000 and 20,000,000 shares of its common stock, respectively, to certain directors and employees, of which options to purchase 10,000,000 shares granted to one of its employees had lapsed on September 18, 2006. These options were granted at an exercise price of (i) HK$0.253 per share, which are determined by the arithmetic average of the closing price of MSIL shares for each of the five trading days immediately prior to and including May 2, 2006, and (ii) HK$0.233 per share, the closing price of MSIL shares on September 18, 2006.

On March 13, 2007, MSIL granted options to purchase 5,000,000 shares under the 2002 scheme to an employee at an exercise price of HK$0.500 per share, which is the closing price of MSIL share on March 13, 2007.

13. STOCK OPTION PLANS (CONTINUED)

During the year ended March 31, 2007, 3,000,000 share options were exercised at price of HK$0.253.

A summary of the number of outstanding and exercisable options under the Plan as of March 31, 2007, and changes during the year then ended is presented as follows:

	Number of MSIL Options	Exercise prices (the weighted average exercise price in parenthesis)
Outstanding as of April 1, 2005 and March 31, 2006	-	
Granted	73,000,000	HK$0.253, HK$0.233 and HK$0.500 (HK$0.264)
Exercised	(3,000,000)	HK$0.253
Forfeited	(10,000,000)	HK$0.253
Outstanding as of March 31, 2007	60,000,000	HK$0.253, HK$0.233 and HK$0.500 (HK$0.267)
Exercisable as of March 31, 2007	55,000,000	HK$0.253 and HK$0.233 (HK$0.246)

A summary of the number of non-vested stock options as of March 31, 2007, and changes during the year then ended is presented as follows:

Nonvested Stock Options	Number of MSIL Options	Weighted-Average Grant-Date Fair Value
Nonvested at April 1, 2005 and 2006	-	
Granted	5,000,000	HK$0.277
Vested	-	
Nonvested at March 31, 2007	5,000,000	HK$0.277

The unrecognized share-based compensation cost related to stock option expense at March 31, 2007 is HK$1,290 and will be recognized within one year.

Company options

In October of 1996, the Company approved the establishment of the Man Sang Holdings, Inc. 1996 Stock Option Plan (the "Plan"), under which stock options awards ("Holding Company Options") may be made to employees, directors and consultants of the Company. The Plan will remain effective until October 2006 unless terminated earlier by the Board of Directors. However, as a condition to list shares of its common stock on the American Stock Exchange ("AMEX"), the Company undertakes to terminate the Plan during the year ended March 31, 2006.

The maximum number of shares of common stock which may be issued or delivered and as to which awards may be granted under the Plan was 1,250,000 shares, which was subsequently revised to 2,500,000 shares, as adjusted by the anti dilution provisions contained in the Plan. The exercise price for a stock option must be at least equal to 100% (110% with respect to incentive stock options granted to persons holding ten percent or more of the outstanding common stock) of the fair market

value of the common stock on the date of grant of such stock option for incentive stock options, which are available only to employees of the Company, and 85% of the fair market value of the common stock on the date of grant of such stock option for other stock options.

The duration of each option will be determined by the Compensation Committee, but no option will be exercisable more than ten years from the date of grant (or, with respect to incentive stock options granted to persons holding ten percent or more of the outstanding common stock not more than five years from the date of grant). Unless otherwise determined by the Compensation Committee and provided in the applicable option agreement, options will be exercisable within three months of any termination of employment, including termination due to disability, death or normal retirement (but no later than the expiration date of the option).

13. STOCK OPTION PLANS (CONTINUED)

Option activity of the Holding Company Options is as follows:

	Number of Holding Company Options	Exercise price (the weighted average exercise price in parenthesis)
Outstanding as of April 1, 2005	812,500	US$0.976 and US$0.88 (US$0.9390)
Exercised (note 12)	(812,500)	US$0.976 and US$0.88 (US$0.9390)
Outstanding as of March 31, 2006 and 2007	-	

For 500,000stock options granted on September 16, 1997, the holders can subscribe for the shares of common stock at a subscription price of US$0.976 per share. 50% of the granted stock options vested and became exercisable on September 16, 1998 and the remainder vested and became exercisable on September 16, 1999. The options expire on September 15, 2007. For the 312,500 stock options granted to employees on March 26, 2003, the holders can subscribe for the shares of common stock at a subscription price of US$0.88 per share, 50% of which vested and became exercisable on March 26, 2004, and the remainder vested and became exercisable on March 26, 2005. The options will expire on March 25, 2013.

No options were available for future grant as of March 31, 2007 as the Plan has been terminated during the year ended March 31, 2006.

Compensation expenses

The Company accounts for stock-based compensation in accordance with SFAS No. 123(R), Share-Based Payment (revised 2004). Under the fair value recognition of this statement, stock-based compensation cost is measured at the grant date based on the value of the award granted, and recognised over the vesting period. The fair value of each option granted was calculated using the Black-Scholes option pricing model. The Company estimates the fair value of stock options using the Black-Scholes option pricing model, with the following assumptions:

	MSIL options granted on			Holding Company options granted on
	May 2, 2006	September 18, 2006	March 13, 2007	March 26 2003
Risk-free interest rate per annum	4.660%	4.025%	4.030%	1.250%
Expected life	5 years	5 years	5 years	2 years
Expected volatility	21.83%	35.25%	60.91%	45.10%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%

13. STOCK OPTION PLANS (CONTINUED)

Compensation expenses (Continued)

The weighted average fair value of the MSIL Options granted during the year was HK$0.07. As of March 31, 2007, the weighted average remaining contractual term of the MSIL Options was 4.87 years.

The total compensation expense recognized in the consolidated statements of income for the years ended March 31, 2007, 2006 and 2005 was HK$5,317, HK$NIL and HK$134, respectively.

14. RELATED PARTY TRANSACTIONS

During the periods presented, certain leasehold properties were provided free of charge to Messrs. Cheng Chung Hing and Cheng Tai Po for their residential use.

The Company paid professional fees of HK$Nil, HK$493 and HK$237 for the years ended March 31, 2007, 2006 and 2005, respectively to Messrs. Yuen & Partners for the provision of legal and professional services to the Company. Mr. Yuen Ka Lok, Ernest, a director of the Company, the Chairman of the Compensation Committee and the Audit Committee of the Board of Directors of the Company, is a partner of Messrs. Yuen & Partners. Mr. Yuen ceased to be a related party following his resignation as a director of the Company in January 2006.

The Company paid standard brokerage fees to DBS Vickers (Hong Kong) Limited ("DBS Vickers") for holding certain securities on behalf of the Company and maintains a securities account with DBS Vickers. Mr. Lai Chau Ming, Matthew, a director of the Company, the chairman of the Compensation Committee and a member of the Audit Committee of the Board of Directors of the Company, is a Sales Associate Director of DBS Vickers. The amounts of brokerage fees paid to DBS Vickers during the periods presented were considered insignificant by the management.

During the years ended March 31, 2007, 2006 and 2005, the Group sold jewelry products amounting to HK$600, HK$313 and HK$636, respectively, to China South International Industrial Materials City (Shenzhen) Co., Ltd. ("CSII"), a company in which Messrs. Cheng Chung Hing and Cheng Tai Po have beneficial interests.

During the years ended March 31, 2007, 2006 and 2005, a reimbursement amounting to HK$568, HK$582 and HK$554 was received, respectively, from CSII for the salaries of staff who had provided services to CSII.

In addition, a motor vehicle was disposed to China South City Holdings Limited, during the year ended March 31, 2006, at net book value of HK$914; and rental charges were paid to China South City Holdings Limited during the years ended March 31, 2007 and 2006 amounted to HK$229 and HK$152, respectively.

15. CONCENTRATIONS OF CREDIT RISK AND MAJOR CUSTOMERS

A substantial percentage of the Company's sales is made to a small number of customers and is typically on an open account basis. For the year ended March 31, 2005, one of our customers accounted for 10.3% of total sales. During the year ended March 31, 2006, two of our customers accounted for more than 10% of our total sales (approximately 10.8% and 10.2% respectively), while for the year ended March 31, 2007, only one of our customers accounted for more than 10% of our sales (approximately 16.0%).

Details of the amounts receivable from the five customers with the largest receivable balances as of March 31, 2007 and 2006 are as follows:

	Percentage of accounts receivable March 31,	
	2007	2006
Five largest receivable balances	**58.1%**	62.3%

An analysis of the allowance for doubtful accounts for trade receivables for each of the three years in the period ended March 31, 2007 is as follows:

	Year ended March 31,		
	2007	2006	2005
	HK$	*HK$*	*HK$*
Balance at beginning of year	**22,265**	22,807	14,728
Addition of allowance charged to statement of income	**1,551**	242	8,105
Direct write-off charged against allowance	**(1,380)**	(784)	(26)
Balance at end of year	**22,436**	22,265	22,807

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, marketable securities, accounts receivable and accounts payable approximate their fair values because of the short-term nature of these amounts.

17. SEGMENT INFORMATION

The Company has adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", which establishes annual and interim reporting standards for enterprise business segments and related disclosures about its products and services, geographic areas and major customers. SFAS No. 131 defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company's chief operating decision maker evaluates segment performance and allocates resources based on several factors of which the primary financial measures are revenues from external customers and operating income.

Contributions of the major activities, profitability information and asset information are summarized below:

	Year ended March 31,		
	2007	2006	2005
	HK$	*HK$*	*HK$*
Revenues from external customers:			
Pearls	**398,279**	378,297	412,262
Real estate investment	**4,225**	3,362	4,646
	402,504	381,659	416,908
Operating income:			
Pearls	**28,565**	35,443	35,386
Real estate investment	**(1,663)**	(3,440)	(6,381)
	26,902	32,003	29,005
Interest expense:			
Pearls	**-**	-	33
Real estate investment	**-**	-	18
Corporate assets	**-**	-	49
	-	-	100

17. SEGMENT INFORMATION (CONTINUED)

	Year ended March 31,		
	2007	2006	2005
	HK$	*HK$*	*HK$*
Depreciation and amortization:			
Pearls	**5,820**	5,361	5,602
Real estate investment	**1,561**	1,323	1,637
Corporate assets	**918**	918	918
	8,299	7,602	8,157
Capital expenditure for segment assets:			
Pearls	**8,929**	4,657	8,536
Real estate investment	**-**	2,085	1,473
	8,929	6,742	10,009
Segment assets:			
Pearls	**572,466**	487,925	449,219
Real estate investment	**60,979**	62,838	62,232
Corporate assets	**45,664**	58,012	47,790
	679,109	608,775	559,241
Long-lived assets:			
Pearls	**154,674**	67,253	65,557
Real estate investment	**60,979**	62,838	62,232
Corporate assets	**36,838**	37,756	38,674
	252,491	167,847	166,463

Corporate assets consist principally of marketable securities and leasehold land and buildings held as quarters used by certain directors and employees of the Company.

17. SEGMENT INFORMATION (CONTINUED)

All of the Company's sales of pearls are coordinated through the Hong Kong subsidiaries and an analysis by destination is as follows:

	Year ended March 31,		
	2007	2006	2005
	HK$	*HK$*	*HK$*
Net sales:			
Hong Kong	**29,929**	38,436	44,854
North America	**114,076**	109,467	145,099
Europe	**155,015**	133,469	122,674
Japan	**36,900**	42,773	46,145
Asian countries, other than Japan	**42,403**	34,321	38,216
Others	**19,956**	19,831	15,274
	398,279	378,297	412,262

The Company operates in only one geographic area. The location of the Company's identifiable assets is as follows:

	Year ended March 31,		
	2007	2006	2005
	HK$	*HK$*	*HK$*
Hong Kong	**484,882**	514,056	469,158
Other regions of the PRC	**194,227**	94,719	90,083
	679,109	608,775	559,241

The Company derived operating revenue from the following customers, which accounted for over 10% of operating revenue:

	Year ended March 31,					
	2007		2006		2005	
	HK$	***%***	*HK$*	*%*	*HK$*	*%*
Customer A	**63,765**	**16%**	38,590	10	24,383	5
Customer B	**34,322**	**9%**	40,854	11	42,255	10

Accounts receivable related to these customers were HK$24,255 and HK$19,822 as of March 31, 2007 and 2006, respectively.

18. QUARTERLY DATA (UNAUDITED)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	HK$	HK$	HK$	HK$
2007				
Net sales	97,937	95,395	106,780	98,167
Gross profit	30,030	29,627	23,719	29,323
Operating income	8,324	11,297	3,425	3,856
Net income	4,356	5,476	4,214	13,919
Basic earnings per common share	0.67	0.84	0.65	2.15
Diluted earnings per common share	0.66	0.84	0.65	2.08
2006				
Net sales	104,158	107,709	90,174	76,256
Gross profit	29,717	28,890	23,751	23,496
Operating income	10,680	10,953	4,801	5,569
Net income	4,435	4,301	2,505	6,371
Basic earnings per common share	0.78	0.73	0.41	0.98
Diluted earnings per common share	0.70	0.67	0.39	0.98

Shareholder & Corporate Information

MAN SANG HOLDINGS, INC.

(AMEX: MHJ)

CORPORATE OFFICE
Man Sang Holdings, Inc.
21/F., Railway Plaza
39 Chatham Road South
Tsimshatsui, Kowloon
Hong Kong
Phone: (852) 2317-5300
Fax: (852) 2317-5243

MANAGEMENT

Cheng Chung Hing, Ricky
Chairman, President, and
Chief Executive Officer

Cheng Tai Po
Vice Chairman

Hung Kwok Wing, Sonny
Director and Assistant to Chairman

Pak Wai Keung, Martin
Chief Financial Officer

Chan Lai Ping, Phyllis
Secretary

TRANSFER AGENT

American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219
ATTN: RECEIVING

AUDITORS

Grant Thornton
Hong Kong

STOCK EXCHANGE

The American Stock Exchange

TRADING SYMBOL

MHJ
CUSIP # 561651 20 9

SHARES OUTSTANDING
(as of June 30, 2007)

6,382,582

FISCAL YEAR ENDS

March 31

LEGAL COUNSEL

Paul, Hastings, Janofsky & Walker

INVESTOR RELATIONS

The Altman Group, Inc.
60 E. 42nd St.
Suite 405
New York, NY 10165
Phone: (212) 400-2604
Fax: (212) 973-9818
E-mail: pbaronowski@altmangroup.com