



MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2003

In view of the fact that Man Sang Holdings, Inc., the holding company of Man Sang International Limited (the “Company”), is quoted on the National Association of Securities Dealers, Inc. Electronic Bulletin Board, the quarterly and annual results of the Company and its holding company are required to be simultaneously disseminated in Hong Kong and the United States.

The Board of Directors of the Company is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the quarter and nine months ended December 31, 2003. The results have been reviewed by the Company’s audit committee.

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the three months ended December 31,		For the nine months ended December 31,	
		2003	2002 (Restated)	2003	2002 (Restated)
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		106,540	66,839	274,936	225,060
Cost of sales		(82,713)	(51,631)	(205,992)	(157,502)
Gross profit		23,827	15,208	68,944	67,558
Investment income		436	196	1,090	886
Net unrealised gain (loss) on other investments		1,067	108	3,098	(3,160)
Other operating income		3,228	2,893	6,653	7,913
Selling expenses		(1,031)	(909)	(5,171)	(4,240)
Administrative expenses		(16,922)	(13,670)	(49,960)	(40,741)
Profit from operations		10,605	3,826	24,654	28,216
Finance costs		(63)	(394)	(337)	(1,430)
Share of result of an associate		–	20	–	(60)
Profit before taxation		10,542	3,452	24,317	26,726
Taxation	3	(1,389)	(505)	(4,400)	(4,826)
Profit before minority interests		9,153	2,947	19,917	21,900
Minority interests		–	43	–	270
Profit attributable to shareholders		9,153	2,990	19,917	22,170
Earnings per share	4				
Basic and diluted				2.41 cents	2.68 cents

Notes:

1. Principal Accounting Policies and prior period adjustment

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2003, except as described below.

Income taxes

In the current period, the Group adopted Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly. As a result of this change in policy, the opening accumulated profits at April 1, 2003 have been decreased by HK\$314,000 (April 1, 2002: increased by HK\$1,710,000). The balances on the Group's investment properties and other properties revaluation reserves at April 1, 2003 have been decreased by HK\$10,947,000 and HK\$706,000 respectively (April 1, 2002: HK\$13,591,000 and HK\$610,000 respectively). The net profit for the nine months ended December 31, 2003 has been increased by HK\$1,237,000 (nine months ended December 31, 2002: HK\$248,000).

2. Segment Information

Business Segments

For management purposes, the Group is currently organised into two operating divisions – pearls and property investment. The following divisions are the basis on which the Group reports its primary segment information:

Pearls – Purchasing, processing, assembling, merchandising, wholesale and retail distribution of pearls and jewelry products

Property investment – Leasing of properties

Segment information about these businesses is presented below:

For the nine months ended December 31, 2003

	Pearls <i>HK\$'000</i>	Property Investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
External sales or rentals	<u>274,936</u>	<u>4,565</u>	<u>279,501</u>
Results			
Segment results	<u>24,752</u>	<u>(4,178)</u>	20,574
Unallocated other operating and investment income			6,276
Unallocated corporate expenses			<u>(2,196)</u>
Profit from operations			<u>24,654</u>

For the nine months ended December 31, 2002

	Pearls <i>HK\$'000</i>	Property Investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
External sales or rentals	<u>225,060</u>	<u>5,628</u>	<u>230,688</u>
Results			
Segment results	<u>29,954</u>	<u>2,193</u>	32,147
Unallocated other operating and investment income			3,171
Unallocated corporate expenses			<u>(7,102)</u>
Profit from operations			<u>28,216</u>

3. Taxation

	For the three months ended December 31,		For the nine months ended December 31,	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:				
Hong Kong	2,975	998	5,807	4,337
People's Republic of China, other than Hong Kong (the "PRC")	<u>(566)</u>	<u>(344)</u>	<u>(170)</u>	<u>737</u>
	2,409	654	5,637	5,074
Deferred tax:				
Current period	(1,020)	(149)	(996)	(248)
Attributable to change in tax rate in Hong Kong	<u>–</u>	<u>–</u>	<u>(241)</u>	<u>–</u>
	1,389	505	4,400	4,826

Hong Kong Profits Tax is calculated at 17.5% and 16% of the estimated assessable profit for the nine months ended December 31, 2003 and December 31, 2002, respectively. Income tax in the PRC is calculated at the rate of 15% of the income of the PRC subsidiaries for both periods.

In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at December 31, 2003.

4. Earnings per share

The calculation of the basic earnings per share is based on the net profit for the period of HK\$19,917,000 (nine months ended December 31, 2002: HK\$22,170,000) and on the weighted average number of 827,058,000 (nine months ended December 31, 2002: 827,058,000) shares in issue during the period.

The number of ordinary shares for both periods for the purpose of basic earnings per share has been adjusted for the bonus issue approved pursuant to the annual general meeting held on August 6, 2003.

No diluted earnings per share have been presented for both periods because there are no dilutive potential ordinary shares in issue for the nine months ended December 31, 2003 and the exercise prices of the Company's outstanding share options for the nine months ended December 31, 2002 were higher than the average market price for shares.

The adjustments to comparative earnings per share, arising from the bonus issue and the change in accounting policies described in note 1 above, are as follows:

Reconciliation of earnings per share for the nine months ended December 31, 2002

	<i>HK cents</i>
Reported figure before adjustments	2.92
Adjustment arising from the bonus issue	(0.26)
Adjustment arising from the adoption of SSAP 12 (Revised)	0.02
	<hr/>
Restated figure	<u>2.68</u>

THE THIRD INTERIM DIVIDEND

The Board of Directors does not recommend the payment of a third interim dividend for the nine months ended December 31, 2003 (2002: Nil).

BUSINESS REVIEW AND PROSPECTS

As economic sentiment continued to improve in the third quarter, the Group recorded a turnover of approximately HK\$274.9 million for the nine months ended December 31, 2003, representing an increase of 22.1% as compared to the same period in 2002. Profit attributable to shareholders was approximately HK\$19.9 million, representing a decrease of 10.2% as compared to the same period last year. The decrease was mainly due to the decrease in gross profit margin and higher administrative expenses.

The improvement in turnover suggests that our customers further rise in their confidence in coming back to Hong Kong for trading. In addition, the increase is also in part due to the additional contribution of sales generated from our jewelry business acquired in December 2002.

For the turnover on pearl business, South Sea Pearls continued to perform at its largest share, representing 42.4% of the Group's total sales. This supports that the global demand for South Sea pearls continues to persist and they are very popular among international fashion designers in the jewelry designs, especially on Tahitian Black pearls. On the jewelry side, we continue to expand our market share in Europe covering various new segments of clients like retail chains and department stores.

Gross profit margin for the nine months ended December 31, 2003 decreased by 4.9% to 25.1%, comparing to the gross profit margin of 30.0% for the same period last year. The decrease was mainly attributable to our flexible pricing strategy on our freshwater pearls as well as our acquired jewelry business which has a slightly lower gross profit margin than our existing pearl and pearl jewelry businesses.

Higher administrative expenses were due to increased headcount and salary expenses on our acquired jewelry business operations, the loss arising on the demolition of one of the buildings for reconstruction in our Industrial City in Shenzhen and the disposal loss on one of our owned property located in Hong Kong. As a result, there is an increase in administrative expenses of 22.6% for the nine months ended December 31, 2003 when compared to same period last year.

Profit attributable to shareholders for the nine months ended December 31, 2003 shows a profit of HK\$19.9 million when compared to a profit of HK\$22.2 million for the same period last year after incorporating the restatement adjustment made on 2002's profit as a result of the adoption of SSAP 12 (Revised) on "Income Taxes".

Looking ahead, our pearl and jewelry businesses will continue to be our prime focus in expansion and development. With our flexible pricing, aggressive marketing strategies and value added services offered to our customers, while, on the other hand, continue to pursue for new business opportunities and to expand our market share and customer base in various countries as well as to control costs and expenditures to enhance efficiency and effectiveness of our operations, our management believes that our pearl and jewelry businesses will continue to be good and prosperous.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2003, the Group's total shareholders funds amounted to HK\$431.2 million, compared with HK\$408.9 million after restatement at March 31, 2003. The gearing ratio was 3.0% at December 31, 2003, compared to 5.4% at March 31, 2003.

At December 31, 2003, the Group had working capital of HK\$241.8 million, which included a cash balance of HK\$87.7 million, compared to the working capital of HK\$276.6 million, which included a cash balance of HK\$75.6 million at March 31, 2003. The decrease in working capital is mainly due to a decrease in inventories and trade and other receivables by HK\$19.1 million and HK\$16.8 million respectively; an increase in trade and other payables and tax payable by HK\$5.3 million and HK\$4.9 million respectively; but being offset by an increase in cash and cash equivalent by HK\$12.1 million. On the other hand, the Group has non-current assets of HK\$215.6 million at December 31, 2003 when compared to March 31, 2003 of HK\$176.7 million. The increase is mainly due to the acquisition of an investment property.

The Company had available working capital facilities of HK\$95.6 million in total with various banks at December 31, 2003. Such banking facilities letter of credit arrangements, import loans, overdraft and other facilities commonly used in jewelry business. All such banking facilities bear interest at floating rates generally offered by banks in Hong Kong and in the PRC and are subject to periodic review. At December 31, 2003, the Group had not utilized any of these credit facilities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the nine months ended December 31, 2003, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

On behalf of the Board
Cheng Chung Hing
Chairman

Hong Kong, February 19, 2004

“Please also refer to the published version of this announcement in The Standard”.