



MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005

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

The Board of Directors of Man Sang International Limited ("the Company") is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended September 30, 2005. The results have been reviewed by the Company's auditors, Moores Rowland Mazars and by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended September 30,	
		2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited) (as restated)
Turnover	3	211,867	207,061
Cost of sales		(153,260)	(147,691)
Gross profit		58,607	59,370
Investment income		2,621	334
Net unrealised gain on financial assets at fair value through profit or loss/other investments		1,485	116
Other operating income		2,417	3,532
Selling expenses		(4,457)	(4,445)
Administrative expenses		(31,662)	(39,401)
Profit from operations		29,011	19,506
Finance costs		-	(78)
Profit before taxation	4	29,011	19,428
Taxation	5	(5,166)	1,103
Net profit for the period		23,845	20,531
Earnings per share	6		
Basic		2.38 cents	2.05 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	September 30, 2005 HK\$'000 (unaudited)	March 31, 2005 HK\$'000 (audited) (as restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		77,650	77,650
Property, plant and equipment		141,555	143,545
Available-for-sale financial assets/Investment securities		-	-
Deferred tax assets		5,117	3,374
		224,322	224,569
Current assets			
Inventories		77,541	82,705
Trade and other receivables	7	81,134	54,629
Financial assets at fair value through profit or loss/Other investments		9,907	8,422
Bank balances and cash		238,774	229,350
		407,356	375,106
Current liabilities			
Trade and other payables	8	32,986	30,555
Taxation		8,338	1,661
		41,324	32,216
Net current assets		366,032	342,890
Total assets less current liabilities		590,354	567,459
Non-current liabilities			
Amount due to immediate holding company		53	2,245
Deferred tax liabilities		9,335	9,104
		9,388	11,349
NET ASSETS		580,966	556,110
CAPITAL AND RESERVES			
Share capital		100,074	90,977
Reserves		480,892	465,133
		580,966	556,110

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. ACCOUNTING POLICIES

The accounting policies adopted in these interim financial statements are consistent with those adopted in the Group's audited financial statements for the year ended March 31, 2005, except for the adoption of HKFRSs and HKASs as described below.

The HKICPA has issued a number of new and revised HKFRSs, HKASs and Interpretations ("HKAS-INT"), that are effective for adoption for the accounting periods commencing on or after January 1, 2005. The Group has adopted the following HKFRSs and HKASs which are pertinent to its operations and relevant to these interim financial statements. The comparative information has been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of financial statements
HKAS 17	Leases
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-INT 21	Income Taxes – Recovery of Revalued Non-Depreciable Assets

These HKFRSs, HKASs and Interpretations prescribe new accounting measurement and disclosure practices. The major and significant effects of the adoption of these HKFRSs, HKASs and Interpretations on the Group's accounting policies and on amounts disclosed in the interim financial statements are summarized as follows:

- (a) In prior periods, leasehold land and buildings held for own use were stated at valuation less accumulated depreciation and any impairment losses.

Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payment cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis.

Since the values of land and buildings elements of the Group's leasehold properties held for own use cannot be allocated reliably, the entire lease payments are included in the cost of the land and buildings as finance lease in property, plant and equipment.

- (b) The adoption of HKAS 32 and HKAS 39 has resulted in a change of accounting policy for recognition, measurement and disclosure of financial instruments. Until March 31, 2005, investments of the Group were classified as either other investments and were stated in the balance sheet at fair value, or classified as investment securities and were stated in the balance sheet at cost less impairment.

In accordance with the provision of HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On April 1, 2005, the Group's investment securities and other investments were redesignated as available-for-sale financial assets and financial assets at fair value through profit or loss respectively. HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis, the comparative figures as presented in these unaudited condensed consolidated interim financial statements have not been restated.

- (c) The adoption of HKAS 40 has resulted in a change in accounting policy for investment property. Prior to this, changes in the value of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. After the adoption of HKAS 40, any changes in value of investment properties are dealt with in the profit and loss account and the amount held in investment property revaluation reserve has been transferred to the Group's accumulated profits.

- (d) The adoption of HKAS-INT 21 has resulted in a change in accounting policy for the deferred tax treatment on the Group's investment properties. Prior to April 1, 2005, deferred tax on changes in fair value of investment properties arising from revaluation was not provided on the basis that the recovery of the carrying amount would be through sale and was calculated at the tax rate applicable on eventual sale. Following the adoption of HKAS-INT 21, the deferred tax arising from revaluation of the investment properties is required to be valued on the basis that the recovery of the carrying amount of the properties would be through use and calculated at the profits tax rate and is charged to the profit and loss account. In the absence of any specific transitional provisions in HKAS-INT 21, this change in accounting policy has been applied retrospectively.

- (e) Potential impact of new standards not yet adopted
The Group has not early adopted the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS 1 and HKFRS 6	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 4	Determining Whether an Arrangement Contains a Lease
HK (IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable in respect of goods sold, less returns and allowances, by the Group to outside customers during the period.

For management purposes, the Group is currently organized into two operating segments – pearls and property investment. The following segments 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:

Six months ended September 30, 2005 (unaudited)

	Pearls HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Revenue			
External sales or rentals	211,867	1,843	213,710
Result			
Segment results	27,111	(1,345)	25,766
Unallocated other operating income			4,679
Unallocated corporate expenses			(1,434)
Profit from operations			29,011

Six months ended September 30, 2004 (unaudited)

	Pearls HK\$'000	Property investment HK\$'000 (as restated)	Consolidated HK\$'000 (as restated)
Revenue			
External sales or rentals	207,061	2,879	209,940
Result			
Segment results	21,801	(1,440)	20,361
Unallocated other operating income			1,092
Unallocated corporate expenses			(1,947)
Profit from operations			19,506

4. PROFIT BEFORE TAXATION

	For the six months ended September 30,	
	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)
Profit before taxation has been arrived at after charging:		

(a) Finance costs		
Interest on bank borrowings wholly repayable within 5 years	–	78
(b) Other items		
Costs of inventories	153,260	147,691
Depreciation and amortisation of property, plant and equipment	3,536	3,400
Staff costs and related expenses (including directors emoluments)	15,873	16,557

5. TAXATION

	For the six months ended September 30,	
	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited) (as restated)
Current tax:		
– Hong Kong	6,678	5,836
– People's Republic of China, other than Hong Kong (the "PRC")	–	(452)
	6,678	5,384
Deferred tax:		
– Current period	(1,512)	(6,487)
	5,166	(1,103)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended September 30, 2005 and September 30, 2004. Income tax in the PRC is calculated at the rate of 15% of the income of the PRC subsidiaries for both periods.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$23,845,000 (six months ended September 30, 2004: HK\$20,531,000) and on 1,000,740,000 (six months ended September 30, 2004: 1,000,740,000) 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 1, 2005.

The adjustments to comparative earnings per share, arising from the bonus issue and the change in accounting policies as described in note 2 above, are as follows:

	HK cents	
Reported figure before adjustments		5.38
Adjustment arising from the bonus issue		(0.49)
Adjustment arising from the adoption of HKAS 40		(3.34)
Adjustment arising from the adoption of HKAS-INT 21		0.50
Restated figure		2.05

No diluted earnings per share has been presented for both periods because there are no dilutive potential ordinary shares in issue for the six months ended September 30, 2005 and September 30, 2004.

7. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

Included in trade and other receivables of the Group are trade receivables of HK\$71,878,000 (March 31, 2005: HK\$47,450,000) and their aged analysis after credit period is as follows:

	September 30, 2005 HK\$'000 (unaudited)	March 31, 2005 HK\$'000 (audited)
0 – 60 days	71,878	46,595
61 – 120 days	–	855
	71,878	47,450

8. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$12,156,000 (March 31, 2005: HK\$8,588,000) and their aged analysis after credit period is as follows:

	September 30, 2005 HK\$'000 (unaudited)	March 31, 2005 HK\$'000 (audited)
0 – 60 days	11,599	8,270
61 – 120 days	343	315
>120 days	214	3
	12,156	8,588

THE SECOND INTERIM DIVIDEND

The Board of Directors resolved not to declare the second interim dividend in respect of the six months ended September 30, 2005 (six months ended September 30, 2004: Nil).

BUSINESS REVIEW AND PROSPECTS

For the six months ended September 30, 2005, the Group recorded a turnover of approximately HK\$211.9 million, representing an increase of 2.3% as compared to the same period last year. Profit attributable to shareholders was approximately HK\$23.8 million, representing an increase of 16.1% after restatement of last year's profit to HK\$20.5 million. The HK\$33.4 million gain on disposal of an investment property booked in the second quarter last year was restated due to the change in accounting standard.

The increase in the Group's turnover is due to the increase in the sales of freshwater pearls, freshwater pearl finished products as well as South Sea pearls. We are continuing to adjust our sales and marketing strategies to meet market demand. Among all types of pearls, South Sea pearls including white and gold South Sea pearls and Tahitian black pearls now comprise 46.3% of the Group's total turnover. On the finished products side, the Group recorded a positive growth in its performance, especially on the pearl jewelry products.

Gross profit margin has slightly decreased from 28.7% to 27.7% when compared to the same period last year. This is mainly due to the flexible pricing strategy on the Group's South Sea pearls products in boosting its sales.

Selling and administration expenses decreased by 17.6% when compared to the same period last year because the provision made for doubtful debt was lower than last year.

The Group has responded to the latest market conditions in order to meet the market trend and customers' taste and preferences. By adopting flexible marketing strategies, diversified promotion activities, as well as rendering custom-made services, the Group is confident that it can further expand its customer base and business.

To further expand market share of pearls and non-pearl jewelry finished products, the Group has re-aligned its resources to take advantage of its competitive strengths in pearls and non-pearl jewelry products to meet market demand. In addition, the Group continues to stream-line its operations to increase productivity and production efficiency on the back-end support side. Also, the Group has developed its own design teams to develop unique and innovative designs with a diversified range of products to suit different customers' taste and demand.

The Group expects the economy will continue to grow despite the adverse effects generated by higher oil prices, higher interest rates and the outbreak of avian flu. In addition, the Group expects to minimize adverse effects of these challenges by virtue of its solid experience in the industry and flexible marketing strategies. The Group is constantly modifying its business strategies and implementing stringent cost control measures to maintain its leading position in the industry.

Last but not the least, the Group will continue to evaluate investment opportunities in pursuing continuous growth and development. Attention is expected to be focused on potential investment opportunities in PRC due to its robust economic development. Looking ahead, we are confident in facing any future challenges and will continue to gear towards our business future.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2005, the Group's total shareholders' funds amounted to HK\$581.0 million, compared with HK\$556.1 million at March 31, 2005. The Group's gearing ratio is zero with no outstanding debts at September 30, 2005 and March 31, 2005.

At September 30, 2005, the Group had a working capital of HK\$366.0 million, which included a cash balance of HK\$238.8 million, compared to the working capital of HK\$342.9 million, which included a cash balance of HK\$229.4 million at March 31, 2005. The increase in working capital is mainly due to an increase in cash balance by HK\$9.4 million and trade and other receivables by HK\$26.5 million, but being offset by the decrease in inventories by HK\$5.2 million and increase in taxation payable by HK\$6.7 million.

The Group had available working capital facilities of HK\$47.0 million in total with various banks at September 30, 2005. Such banking facilities include 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 are subject to periodic review. At September 30, 2005, the Group had a zero balance on each of these credit facilities.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the six months ended September 30, 2005, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended September 30, 2005, except for the following deviation from code provision A.2.1.

Under code provision A.2.1, the roles of the chairman and chief executive officer are required to be separated and not to be performed by the same individual.

Mr. Cheng Chung Hing ("Mr. Cheng") assumes the role of both the chairman and the chief executive officer of the Group. The roles of chairman and chief executive officer of the Group rest on the same individual which deviates from code provision A.2.1. The reason for such deviation is set out below.

Mr. Cheng is one of the founders and a substantial shareholder of the Group and has considerable industry experience. The Board is of the view that it is in the best interests of the Group to have an executive chairman who is most knowledgeable about the business of the Group and is most capable to guide the growth of the Group and brief the Board in a timely manner on pertinent issues and to facilitate open dialogue between the Board and management. In addition, the Group's business is best served when strategic planning and decisions are made and implemented by the management under the leadership of Mr. Cheng.

In light of the above, the Company does not currently propose to designate another person as the chief executive officer of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules. Following enquiry by the Company, all directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended September 30, 2005.

AUDIT COMMITTEE

The audit committee has reviewed together with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters. The interim results for the six months ended September 30, 2005 are unaudited, but have been reviewed by Moores Rowland Mazars in accordance with Statement of Auditing Standards 700 "Engagement to review interim financial reports". The interim financial report has been reviewed by the audit committee.

On behalf of the Board
CHENG CHUNG HING
Chairman

Hong Kong, November 14, 2005

As at the date hereof, the Board comprises Mr. Cheng Chung Hing, Mr. Cheng Tai Po, Miss Yan Sau Man, Amy as executive directors; Mr. Lee Kang Bor, Thomas, Mr. Kiu Wai Ming, Kenneth and Mr. Lau Chi Wah, Alex as independent non-executive directors.