



MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004

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, 2004. 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,	
		2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Turnover		207,061	168,396
Cost of sales		(147,691)	(123,279)
Gross profit		59,370	45,117
Investment income		334	654
Net unrealised gain on listed other investments		116	2,031
Gain on disposal of an investment property		33,387	–
Other operating income		3,522	3,425
Selling expenses		(4,445)	(4,140)
Administrative expenses		(39,401)	(33,038)
Profit from operations	3	52,883	14,049
Finance costs		(78)	(274)
Profit before taxation		52,805	13,775
Taxation	4	(3,873)	(3,011)
Net profit for the period		48,932	10,764
Earnings per share	5		
Basic		5.38 cents	1.18 cents

CONDENSED CONSOLIDATED BALANCE SHEET		
	9.30.2004 HK\$'000 (unaudited)	3.31.2004 HK\$'000 (audited)
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	82,160	153,760
Property, plant and equipment	113,714	110,699
Investment securities	–	856
Deferred tax assets	4,854	3,649
	200,728	268,964
Current assets		
Inventories	95,877	115,297
Trade and other receivables	71,263	79,626
Other investments	7,892	7,776
Bank balances and cash	193,070	90,451
	368,102	293,150
Current liabilities		
Trade and other payables	28,805	38,296
Taxation	6,781	1,560
Secured bank borrowings – due within one year	5,575	5,575
	41,161	45,431
Net current assets	326,941	247,719
Total assets less current liabilities	527,669	516,683
Non-current liabilities		
Secured bank borrowings – due after one year	3,229	6,016
Amount due to immediate holding company	4,459	6,000
Deferred tax liabilities	14,931	15,237
	22,619	27,253
NET ASSETS	505,050	489,430
CAPITAL AND RESERVES		
Share capital	90,976	82,706
Reserves	414,074	406,724
	505,050	489,430

Notes:

1. Principal Accounting Policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of 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, 2004.

2. Segment Information

For management purpose, the Group is currently organised 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 the businesses is presented below:

Six months ended September 30, 2004

	Pearls HK\$'000	Property Investment HK\$'000	Consolidated HK\$'000
Revenue			
External sales or rentals	207,061	2,879	209,940
Results			
Segment results	21,801	31,937	53,738
Unallocated other operating and investment income			1,092
Unallocated corporate expenses			(1,947)
Profit from operations			52,883

Six months ended September 30, 2003

	Pearls HK\$'000	Property Investment HK\$'000	Consolidated HK\$'000
Revenue			
External sales or rentals	168,396	2,875	171,271
Results			
Segment results	15,794	(3,584)	12,210
Unallocated other operating and investment income			3,235
Unallocated corporate expenses			(1,396)
Profit from operations			14,049

3. Profit from operations

	For the six months ended September 30,	
	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		

Depreciation and amortisation of property, plant and equipment	3,400	3,837
Net revaluation deficit on investment properties	–	1,781
Loss on demolition on an investment property	–	2,421
Staff cost and related expenses (including directors’ emoluments)	16,557	15,205

4. Taxation

	For the six months ended September 30,	
	2004 HK\$'000	2003 HK\$'000
Current tax:		
Hong Kong	5,836	2,832
People’s Republic of China, other than Hong Kong (the “PRC”)	(452)	396
	5,384	3,228
Deferred tax:		
Current period	(1,511)	(217)
	3,873	3,011

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended September 30, 2004 (six months ended September 30, 2003: 17.5%). Income tax in the PRC is calculated at the rate of 15.0% of the income of the PRC subsidiaries for the both periods.

5. Earnings per share

The calculation of the basic earnings per share is based on the net profit for the period of HK\$48,932,000 (six months ended September 30, 2003: HK\$10,764,000) and on 909,764,000 (six months ended September 30, 2003: 909,764,000) 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 4, 2004.

The adjustments to comparative earnings per share, arising from the bonus issue are as follows:

	HK cents
Reported figure before adjustments	1.30
Adjustment arising from the bonus issue	(0.12)
Restated figure	1.18

No diluted earnings per share have been presented for both periods because there are no dilutive potential ordinary shares in issue for six months ended September 30, 2004 and September 30, 2003.

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, 2004 (six months ended September 30, 2003: Nil).

BUSINESS REVIEW AND PROSPECTS

For the six months ended September 30, 2004, the Group recorded a turnover of approximately HK\$207.1 million, representing an increase of 23.0% as compared to the same period in 2003. Profit attributable to shareholders was approximately HK\$48.9 million after including the gain of HK\$33.4 million on the disposal of one of our investment properties. Excluding the effect of the contribution of this disposal gain, the profit attributable to shareholder was increased by 44.4% when compared to same period last year. The improvement in performance is mainly due to the increase in sales in the first quarter of this financial year compared to the same period last year which was adversely affected by the negative economic effects of SARS (Severe Acute Respiratory Syndrome) and the Iraq war.

On the pearl business side, South Sea pearls including white and gold South Sea pearls and Tahitian Black pearls continue to be our key contributor to our sales performance, representing 47.1% of the group's total turnover for the six months ended September 30, 2004. Buyers have been more active in recent auctions and tradeshows due to better economic conditions worldwide and are more confident about their future sales. Sales of the assembled jewelry products continue to grow at a healthy pace.

Overall international fashion designers predict that the demand for pearl jewelry will continue to grow over the next few years. Pearls and pearl jewelry products have gained a firm foothold in the fashion world and are becoming more popular among young and trendy consumers, with new designs combining all types of pearls and jewelry materials, and various price ranges to suit different customers.

Gross profit margin increased slightly by 1.9% when compared to last year mainly due to the contribution of the first quarter of this financial year of which the performance in same period last year was affected by SARS and Iraq war. In addition, increased pearl sales with a higher gross profit margin than assembled jewelry products also accounts for the improvement.

Selling and administrative expenses are higher by 17.9% when compared to same period last year mainly due to higher exhibition expenses and an increase in our provision for doubtful debts as a result of higher sales performance as well as the impairment of investment securities.

We continue to expand our core pearl business and also place emphasis in further enlarging our assembled jewelry products business by offering the products and services that suit our customers' needs as well as using flexible pricing strategies. By attending international tradeshows and exhibitions and adopting aggressive marketing strategies, we believe that we can further enlarge our market share and customer base. We also closely monitor changes in market demand, environment and conditions so that we can react in line with such changes. At the same time, we will continue to maintain effective cost control measures to bring the best results to our operations. Looking forward, with the worldwide economic condition continually improving, we anticipate that the performance in the coming quarters will continue to look promising and positive.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2004, the Group's total shareholders' funds amounted to HK\$505.1 million, compared with HK\$489.4 million at March 31, 2004. The gearing ratio was 1.7% at September 30, 2004, compared to 2.4% at March 31, 2004.

At September 30, 2004, the Group had a working capital of HK\$326.9 million, which included a cash balance of HK\$193.1 million, compared to the working capital of HK\$247.7 million, which included a cash balance of HK\$90.5 million at March 31, 2004. The increase in working capital is mainly due to an increase in cash balance by HK\$102.6 million and a decrease in trade and other payables by HK\$9.5 million, but being offset by the decrease in inventories and trade and other receivables by HK\$19.4 million and HK\$8.4 million respectively.

The Group had available working capital facilities of HK\$47.0 million in total with various banks at September 30, 2004. 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, 2004, 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, 2004, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

CORPORATE GOVERNANCE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended September 30, 2004 in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following enquiry by the Company, that they have complied with the required standard set out in Model Code throughout the period.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review the financial reporting process and internal control procedures of the Group. The Audit Committee has reviewed the Group's unaudited condensed financial statements for the six months ended September 30, 2004.

On behalf of the Board
CHENG CHUNG HING
Chairman

Hong Kong, November 12, 2004

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.