



MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2006

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

In view of the fact that Man Sang Holdings, Inc., the holding company of Man Sang International Limited (the "Company"), is listed on the American Stock Exchange, 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 third quarter and nine months ended December 31, 2006. The results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the three months ended December 31,		For the nine months ended December 31,	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited) (restated)	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited) (restated)
Turnover	3	106,780	90,174	300,112	302,041
Cost of sales		(83,061)	(66,423)	(216,736)	(219,683)
Gross profit		23,719	23,751	83,376	82,358
Investment income		3,784	2,165	7,861	4,786
Net unrealized gain on financial assets at fair value through profit or loss		594	165	766	1,650
Other operating income		1,596	932	3,992	3,349
Selling expenses		(746)	(1,364)	(6,093)	(5,821)
Administrative expenses		(19,158)	(16,759)	(52,902)	(48,500)
Profit before taxation		9,789	8,890	37,000	37,822
Taxation	4	(1,219)	(517)	(3,706)	(5,458)
Net profit for the period		<u>8,570</u>	<u>8,373</u>	<u>33,294</u>	<u>32,364</u>
Earnings per share	5				
Basic				<u>3.33 cents</u>	<u>3.23 cents</u>
Diluted				<u>3.29 cents</u>	<u>N/A</u>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong.

2. ACCOUNTING POLICIES

The Group has adopted a new policy of Hong Kong Accounting Standard (“HKAS”) 17 “Leases” for leasehold land and buildings held for own use for the year ended March 31, 2006 to account for the leasehold interest in the land held for own use as being held under operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately at the time the lease was first entered into by the Group. Relative comparative figures have been restated accordingly. Adoption of this policy does not have significant impact on these quarterly financial statements.

The accounting policies adopted in the financial statements are consistent with those adopted in the Group’s audited financial statements for year ended March 31, 2006, except for the following:

Share-based payment transactions

During the period, the Company granted share options to the directors and staff of the Group. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (“market conditions”), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“vesting date”). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Company at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

HKAS 39 and HKFRS 4 (amendment) “Financial Guarantee Contracts”

The Group has adopted HKAS 39 and HKFRS 4 (amendment) “Financial Guarantee Contracts” effective for the accounting periods beginning on April 1, 2006.

A financial guarantee contract is a contract that requires the issuer to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified term of a debt instrument. The directors consider adoption of this amendment would have no significant impact on the Group’s financial statements.

Future changes in HKFRS

At the date of authorization of the financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective and the Group has not early adopted. The directors anticipate that the adoption of these new/revised HKFRS in the future accounting periods will have no significant impact on the result of the Group.

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 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 distribution of pearls and jewelry products.
Property investment	— Leasing of properties

Segment information about the businesses is presented below:

For the nine months ended December 31, 2006 (unaudited)

	Pearls <i>HK\$'000</i>	Property Investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
External sales or rentals	<u>300,112</u>	<u>2,912</u>	<u>303,024</u>
Results			
Segment results	<u>34,983</u>	<u>(111)</u>	34,872
Unallocated other operating income			9,707
Unallocated corporate expenses			<u>(7,579)</u>
Profit before taxation			<u>37,000</u>

For the nine months ended December 31, 2005 (unaudited)

	Pearls <i>HK\$'000</i> <i>(restated)</i>	Property Investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> <i>(restated)</i>
Revenue			
External sales or rentals	<u>302,041</u>	<u>2,428</u>	<u>304,469</u>
Results			
Segment results	<u>34,197</u>	<u>(1,586)</u>	32,611
Unallocated other operating income			7,357
Unallocated corporate expenses			<u>(2,146)</u>
Profit before taxation			<u>37,822</u>

4. TAXATION

	For the three months ended December 31,		For the nine months ended December 31,	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> <i>(restated)</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> <i>(restated)</i>
Current tax:				
Hong Kong	338	1,391	2,856	8,069
People's Republic of China, other than Hong Kong (the "PRC")	<u>257</u>	<u>163</u>	<u>257</u>	<u>163</u>
	595	1,554	3,113	8,232
Deferred tax:				
Current period	<u>624</u>	<u>(1,037)</u>	<u>593</u>	<u>(2,774)</u>
	<u>1,219</u>	<u>517</u>	<u>3,706</u>	<u>5,458</u>

Hong Kong Profits Tax is calculated at a rate of 17.5% of the estimated assessable profit for both periods. 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\$33,294,000 (nine months ended December 31, 2005 (restated): HK\$32,364,000) and on 1,000,740,000 (nine months ended December 31, 2005: 1,000,740,000) shares in issue during the period.

Diluted earnings per share for nine months ended December 31, 2006 is calculated based on the profit for the period of HK\$33,294,000 and on the adjusted weighted average number of 1,010,751,000 shares which is the weighted average number of shares in issue during the period plus the weighted average number of 10,011,000 shares deemed to be issued at no consideration if all outstanding options had been exercised. No diluted earnings per share have been presented for the period ended December 31, 2005 as there are no dilutive potential ordinary shares in issue.

THE THIRD INTERIM DIVIDEND

The Directors do not recommend the payment of a third interim dividend for the nine months ended December 31, 2006 (nine months ended December 31, 2005: Nil).

BUSINESS REVIEW AND PROSPECTS

Turnover for the nine months ended December 31, 2006 decreased by HK\$1.9 million, or 0.6% to HK\$300.1 million, compared to turnover of HK\$302.0 million for the nine months ended December 31, 2005. The decrease in sales was mainly due to the decrease in the sales of South Sea Pearls but offset, in part, by the increase in sales of assembled pearl and jewelry finished products. Profit attributable to shareholders was approximately HK\$33.3 million, 2.9% higher than last year's HK\$32.4 million.

With interest rates for bank deposits increased, the Group made higher interest income on fixed deposits when compared with the same period last year. Selling expenses increased by 4.7% as compared with the same period last year due to the increment on the booth and exhibition rate. In addition, administrative expenses increased by 9.1% as compared with the same period last year due to one-off share-based payment associated with the grant of share options by the Company and the consultancy costs in relation to upgrading the management information system.

We will continue to explore new markets and new opportunities to expand our business while maintaining the high quality of our services to existing customers. We will apply the right strategies in respond to changing market conditions. We expect that our continuing efforts at effective cost control measures will help achieve better results.

Despite the expected industry slowdown in sales this year, the strong upward swing in bullion price may cause gold, platinum and silver jewelry products retailers to rely less on such precious metals and to incorporate more pearls into its jewelry products. As a result, we expect that the market demand in pearls for jewelry products will increase. Looking forward, we will work hard towards achieving a promising result in the coming quarter.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

At December 31, 2006, the Group had a working capital of HK\$357.4 million, which included a cash balance of HK\$268.4 million, compared to the working capital of HK\$384.6 million, which included a cash balance of HK\$286.6 million at March 31, 2006. During the financial period, the Company made cash advance of HK\$84.7 million to an associate. After excluding an advance to an associate, the increase in cash balances of HK\$56.6 million was generated from businesses and other investments for the nine months ended December 31, 2006. The decrease in working capital of HK\$27.2 million was consistent with the decrease in the inventories.

The Group had available working capital facilities of HK\$105.0 million in total with various banks at December 31, 2006. 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 December 31, 2006, the Group did not draw down any banking facilities. The Group believes that funds to be generated from internal operations and the existing banking facilities will enable the Group to meet anticipated future cash flow requirements.

Capital Structure

At December 31, 2006, the Group's total shareholders' funds amounted to HK\$650.7 million, compared with HK\$608.4 million at March 31, 2006. The gearing ratio was zero with no outstanding debts at December 31, 2006 and March 31, 2006. The gearing ratio is computed by dividing total debts over capital and reserves.

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

During the nine months ended December 31, 2006, 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 13, 2007

As at the date of this announcement, 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.

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