



MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2004

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 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 ended June 30, 2004. The results have been reviewed by the Company’s audit committee.

CONSOLIDATED INCOME STATEMENT

		For the three months ended June 30,	
		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		99,078	66,888
Cost of sales		<u>(71,593)</u>	<u>(49,846)</u>
Gross profit		27,485	17,042
Investment income		200	463
Other operating income		2,071	1,672
Selling expenses		(2,369)	(1,571)
Administrative expenses		(14,993)	(19,622)
Net unrealized (loss) gain on listed other investments		<u>(420)</u>	<u>690</u>
Profit (loss) from operations		11,974	(1,326)
Finance costs		<u>(38)</u>	<u>(133)</u>
Profit (loss) before taxation		11,936	(1,459)
Taxation	3	<u>(2,155)</u>	<u>306</u>
Profit (loss) before minority interests		9,781	(1,153)
Minority interests		<u>–</u>	<u>–</u>
Profit (loss) attributable to shareholders		<u>9,781</u>	<u>(1,153)</u>
Earnings (loss) per share	4		
Basic		<u>1.18 cents</u>	<u>(0.14) cent</u>

1. Significant Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties and certain investments in securities and in accordance with the accounting principles generally accepted in Hong Kong.

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

Business Segments

For management purpose, 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 the businesses is presented below:

For the quarter ended June 30, 2004

	Pearls <i>HK\$'000</i>	Property Investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
External sales or rentals	<u>99,078</u>	<u>1,578</u>	<u>100,656</u>
Results			
Segment results	<u>11,841</u>	<u>611</u>	12,452
Unallocated other operating income			693
Unallocated corporate expenses			<u>(1,171)</u>
Profit from operations			<u>11,974</u>

For the quarter ended June 30, 2003

	Pearls <i>HK\$'000</i>	Property Investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
External sales or rentals	<u>66,888</u>	<u>1,388</u>	<u>68,276</u>
Results			
Segment results	<u>1,915</u>	<u>(4,010)</u>	(2,095)
Unallocated other operating income			1,437
Unallocated corporate expenses			<u>(668)</u>
Loss from operations			<u>(1,326)</u>

3. Taxation

	For the three months ended June 30,	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current tax:		
Hong Kong	3,418	570
People's Republic of China	(452)	379
Deferred tax:		
Current period	<u>(811)</u>	<u>(1,255)</u>
	<u>2,155</u>	<u>(306)</u>

Hong Kong Profits Tax is calculated at a rate of 17.5% (2003:17.5%) of the estimated assessable profit for the period. Income tax in the PRC is calculated at the rate of 15.0% of the income of the PRC subsidiaries for the quarter ended June 30, 2004 and 2003.

4. Earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the net income for the period of HK\$9,781,000 (net loss for the three months ended June 30, 2003: HK\$1,153,000) and on the weighted average number of 827,058,000 (three months ended June 30, 2003: 827,058,000) shares in issue during the period.

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

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

	<i>HK cents</i>
Reported figure before adjustments	(0.15)
Adjustment arising from the bonus issue	0.01
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Restated figure	<u>(0.14)</u>

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

THE FIRST INTERIM DIVIDEND

The Directors do not recommend the payment of a first interim dividend for the quarter ended June 30, 2004 (2003:Nil).

BUSINESS REVIEW AND PROSPECTS

In the first quarter of fiscal 2005, the Group continued to benefit from global economic improvements. The Group recorded an increase of 48.1% in turnover as compared to the same period in fiscal 2004. The increase in turnover is mainly attributable to the recovery in the Group's sales performance, which was adversely affected by the negative economic effects of SARS (Severe Acute Respiratory Syndrome) and the Iraq war on the Group's business in the same period last year.

The global demand for South Sea pearls (including white and gold South Sea pearls and Tahitian black pearls) continues to grow. Due to steady consumer spending and the Group's aggressive marketing efforts, turnover in South Sea pearls increased in this quarter and constituted 53.4% of the Group's total turnover, out of which Tahitian black pearls contributed the majority of the increase. In order to maintain its competitive advantage, the Group continues to focus on maintaining its relationships with its purchasing network, so that it can maintain the quality of its goods and keep its prices competitive.

The Group continues its efforts to increase sales, particularly with respect to sales of its jewelry products. It has its own design team for jewelry products and by offering its customers a unique and wide range of choices, believes it can capture more customers and greater market share. The Group continually promotes and markets its jewelry products through attendance at international trade shows and exhibitions, marketing campaigns and advertisements. The Group believes that by continuing these efforts it can pursue further expansion in its sales of jewelry products. In addition, the Group closely monitors its PRC pearl and jewelry production facilities to ensure that they are running efficiently and effectively.

The Group received encouraging feedback from the trade shows it attended in Hong Kong and overseas, which may indicate that the market downturn is nearing its end. The Group plans to closely monitor the market environment and respond quickly to changes in customers' tastes and preferences. The Group believes that offering the right product and services mix will be the key factor to its success. Further, by enhancing the efficiency and effectiveness of its operations through cost control measures as well as through aggressive marketing and pricing strategies, the Group expects it can further expand its marketing and distribution network. The Group anticipates that it will continue to perform well in the coming quarters ahead.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2004, the Group total shareholders' funds amounted to HK\$499.3 million, compared with HK\$489.4 million at March 31, 2004. The gearing ratio was 2.0% at June 30, 2004, compared to 2.4% at March 31, 2004.

At June 30, 2004 the Group had working capital of HK\$253.7 million, which included a cash balance of HK\$106.0 million, compared with 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 bank and cash balances by HK\$15.5 million but offset by a decrease in inventory by HK\$8.9 million.

The Group had available working capital facilities of HK\$72.0 million in total with various banks at June 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 in the PRC, and are subject to periodic review. At June 30, 2004, the Group had a zero balance on each of these credit facilities.

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

Neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company during the period.

On behalf of the Board
CHENG CHUNG HING
Chairman

Hong Kong, August 13, 2004

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