



MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007

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

INTERIM RESULTS HIGHLIGHTS

	For the period end September 30,		Increase	
	2007 HK\$'000	2006 HK\$'000	HK\$'000	Percentage
Turnover	<u>210,059</u>	<u>193,332</u>	16,727	8.7%
Profit attributable to equity shareholders	<u>38,037</u>	<u>24,724</u>	13,313	53.8%
	HK cents per share			
Basic earnings	3.52 cents	2.47 cents		

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, 2007, together with the unaudited comparative figures for the corresponding period in the year 2006. The results have been reviewed by the Company’s auditors, Grant Thornton and by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2007 <i>HK\$'000</i> <i>(unaudited)</i>	2006 <i>HK\$'000</i> <i>(unaudited)</i>
Turnover	3	210,059	193,332
Cost of sales		<u>(136,836)</u>	<u>(133,675)</u>
Gross profit		73,223	59,657
Investment income		9,334	4,077
Net unrealized gain on financial assets at fair value through profit or loss		1,232	172
Other operating income		2,806	2,396
Selling expenses		(5,239)	(5,347)
Administrative expenses		<u>(43,531)</u>	<u>(33,744)</u>
Profit before taxation	4	37,825	27,211
Taxation	5	<u>(4,421)</u>	<u>(2,487)</u>
Net profit for the period		33,404	24,724
Loss attributable to minority interests		<u>4,633</u>	<u>—</u>
Profit attributable to shareholders		<u>38,037</u>	<u>24,724</u>
Earnings per share	6		
— Basic		<u>3.52 cents</u>	<u>2.47 cents</u>
— Diluted		<u>3.37 cents</u>	<u>2.45 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	September 30, 2007 <i>HK\$'000</i> <i>(unaudited)</i>	March 31, 2007 <i>HK\$'000</i> <i>(audited)</i>
Non-current assets			
Investment properties		96,820	96,820
Property, plant and equipment		575,270	109,104
Prepaid land lease payments		30,884	31,266
Interest in an associate		—	86,587
Goodwill		47,630	—
Deferred tax assets		2,809	4,071
		<u>753,413</u>	<u>327,848</u>
Current assets			
Inventories		31,260	46,195
Trade and other receivables	7	198,513	69,237
Financial assets at fair value through profit or loss		6,031	8,350
Tax receivable		411	1,620
Bank balances and cash		556,404	296,426
		<u>792,619</u>	<u>421,828</u>
Current liabilities			
Trade and other payables	8	295,945	39,872
Taxation		3,655	154
Bank borrowings (secured) — current portion		20,738	—
		<u>320,338</u>	<u>40,026</u>
Net current assets		<u>472,281</u>	<u>381,802</u>
Total assets less current liabilities		<u>1,225,694</u>	<u>709,650</u>
Non-current liabilities			
Due to an immediate holding company		3,925	17,916
Deferred tax liabilities		43,480	12,690
Bank borrowings (secured)		165,904	—
		<u>213,309</u>	<u>30,606</u>
Net assets		<u>1,012,385</u>	<u>679,044</u>
Capital and reserves			
Share capital		120,374	100,374
Reserves		873,321	578,670
		<u>993,695</u>	<u>679,044</u>
Minority interests		18,690	—
Total equity		<u>1,012,385</u>	<u>679,044</u>

Notes:

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”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements are prepared in compliance with the Hong Kong Financial Reporting Standards (“HKFRSs”), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HKAS-Int”) issued by the HKICPA and 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, 2007.

The Group has adopted the following new/revised HKFRSs, which also included HKASs and Interpretations, that are effective for accounting periods commencing on or after January 1, 2007:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) — Int 8	Scope of HKFRS 2
HK (IFRIC) — Int 10	Interim Financial Reporting and Impairment

The adoption of these new/revised HKFRSs had no material effect on the preparation and presentation of the results and financial position of the Group for the current or prior accounting periods.

The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new standards and interpretations and considers that they would not significantly impact on its results of operations and financial position.

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 three operating segments – pearls and jewellery, property investment and property development. The following segments are the basis on which the Group reports its primary segment information:

Pearls and jewellery	—	Purchasing, processing, assembling, merchandising and wholesale distribution of pearls and jewellery products
Property investment	—	Leasing of properties
Property development	—	Development and sales of properties

Segment information about these businesses is presented below:

Six months ended September 30, 2007 (unaudited)

	Pearls and jewellery HK\$'000	Property Investment HK\$'000	Property Development HK\$'000	Consolidated HK\$'000
Revenue				
External sales or rentals	210,059	2,642	—	212,701
Result				
Segment result	40,831	520	(11,295)	30,056
Unallocated other operating income				10,725
Unallocated corporate expense				(2,956)
Profit before taxation				37,825

Six months ended September 30, 2006 (unaudited)

	Pearls and jewellery HK\$'000	Property Investment HK\$'000	Property Development HK\$'000	Consolidated HK\$'000
Revenue				
External sales or rentals	193,332	1,857	—	195,189
Result				
Segment result	28,980	(523)	—	28,457
Unallocated other operating income				4,788
Unallocated corporate expense				(6,034)
Profit before taxation				27,211

4. PROFIT BEFORE TAXATION

**For the six months ended
September 30,
2007 2006
HK\$'000 HK\$'000
(unaudited) (unaudited)**

Profit before taxation has been arrived at after charging :

Depreciation and amortization	4,915	3,654
Staff costs, including directors emoluments	21,619	20,345

5. TAXATION

	For the six months ended	
	September 30,	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
— Hong Kong	4,084	2,518
Deferred tax:		
— Current period	337	(31)
	<u>4,421</u>	<u>2,487</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended September 30, 2007 and September 30, 2006, respectively.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$38,037,000 (six months ended September 30, 2006: HK\$24,724,000) and on 1,079,564,000 (six months ended September 30, 2006: 1,000,740,000) shares in issue during the period.

Diluted earnings per share for six months ended September 30, 2007 is calculated based on the profit for the period of HK\$38,037,000 (six months ended September 30, 2006: HK\$24,724,000) and on the adjusted weighted average number of 1,127,274,000 (six months ended September 30, 2006: 1,009,983,000) shares which is the weighted average number of shares in issue during the period plus the weighted average number of 47,710,000 (six months ended September 30, 2006: 9,243,000) shares deemed to be issued at no consideration if all outstanding options had been exercised.

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\$92,970,000 (March 31, 2007: HK\$56,921,000) and their ageing analysis after credit period is as follows:

	September 30,	March 31,
	2007	2007
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0–60 days	87,415	55,927
61–120 days	5,555	994
	<u>92,970</u>	<u>56,921</u>

8. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$15,923,000 (March 31, 2007: HK\$19,776,000) and their ageing analysis after credit period is as follows:

	September 30, 2007 HK\$'000 (unaudited)	March 31, 2007 HK\$'000 (audited)
0-60 days	15,157	19,309
61-120 days	766	418
>120 days	—	49
	<u>15,923</u>	<u>19,776</u>

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended September 30, 2007 (six months ended September 30, 2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended September 30, 2007, the turnover of the Group increased by 8.7% to HK\$210 million as compared to the same period last year. The increase in turnover was mainly due to an increase in sales of assembled pearl and non-pearl jewellery. Profit attributable to shareholders for the period showed an increase from HK\$24.7 million to HK\$38 million, representing an increase of 53.8% when compared to the same period last year. The increase in the profit attributable to shareholders was mainly attributable to the improvement in the production efficiency through an enhanced management, successful sales strategies and cost control measures, in particular the increase of the sales of pearls and jewellery products, and investment income from effective treasury arrangement as well as successful receivables collection from the customers under our management's closely monitoring.

During the period under review, the Group continued participating actively in various international and local pearl and jewellery shows including Hong Kong Jewellery & Watch Fair, Baselworld and the JCK LasVegas Show, etc. The Group noted a steady growth in demand for pearls and jewellery from international and local buyers. The United States market and European market are continuously growing during the period under review. The successful in selling and marketing our jewellery products in the United States and Europe has made a contribution to the Group. Many of the Group's customers in the United States and Europe are among the largest jewellery industry players in their respective markets. Their continuous placing of orders with the Group would be a driving force in boosting our sales in the future. On the other hand, our key performer on the pearl side continued to be South Sea pearl market. While the pearls accounted for 46.1% of our total turnover, the assembled pearl and non-pearl jewellery accounted for 53.9% of our total turnover. Turnover of assembled pearl and jewellery products had shown an increase in performance indicating that assembled pearl and jewellery products have potential in attracting those customers with a more affordable price range segment. The Group will consistently adopt the sales strategies to expand our customer network and implement an effective cost control on production.

Gross Profit

Gross profit margin had slightly increased from 30.9% to 34.9% when compared with the same period last year. It was mainly due to the improvement in the production efficiency in the light of the enhanced management and cost control measures.

Operating Costs and Expenses

Selling and administrative expenses increased by 24.8% as compared with the same period last year. The increase in such expenses was mainly due to the inclusion of China Pearls and Jewellery City Holdings Limited (“CP&J City”) corresponding to the completion of the acquisition of CP&J City on April 12, 2007, the Group had 55% equity interest in the CP&J City, which became a subsidiary of the Company.

Basic earnings per share

Basic earnings per share increased from HK2.47 cents during the six months ended September 30, 2006 to HK3.52 cents during the six months ended September 30, 2007.

Liquidity and Financial Resources

Liquidity

At September 30, 2007, the Group had a working capital of HK\$472.3 million, which included a cash balance of HK\$556.4 million, compared to the working capital of HK\$381.8 million, which included a cash balance of HK\$296.4 million at March 31, 2007. The increase in working capital was mainly due to the increase in cash balance by cash inflow from operating activities and placing the shares to independent investors.

The Group had available credit facilities of HK\$351.6 million in total with various banks at September 30, 2007. Such banking facilities include bank loan, letter of credit arrangements, import loans, overdrafts and other facilities. All such banking facilities bear interest at floating rates generally offered by banks in Hong Kong and the PRC, which are subject to periodic review. At September 30, 2007, we had utilized HK\$186.6 million of these bank loans. At the balance sheet date, the Group has pledged the carrying amount of leasehold land and buildings amounting to HK\$292.5 million (March 31, 2007: HK\$63.1 million) and the carrying amount of investment properties amounting to HK\$11.2 million (March 31, 2007: HK\$ 11.2 million) to banks to secure the bank borrowings.

Capital Structure

At September 30, 2007, the Group’s total shareholders’ funds amounted to HK\$993.7 million, compared with HK\$679.0 million at March 31, 2007. The Group’s gearing ratio was 0.2 at September 30, 2007 (nil at March 31, 2007). The gearing ratio is computed by dividing total debts over capital and reserves.

For the period ended September 30, 2007, most of the Group’s transactions were denominated in either US dollars or Hong Kong dollars. Since the Hong Kong dollar remained “pegged” to the US dollar at a consistent rate, in this respect, the Group was not exposed to any significant foreign exchange risk, and as a result of which, the Group has not adopted any hedging measures.

Prospects

Pearls and Jewellery Business

Defaults in subprime mortgages triggered a global aversion to risk. In the face of economic uncertainty, our customers in the United States appeared to slow-down their purchasing decisions. As a result, the growth of net sales in the United States market slowed down in the second quarter compared with the first quarter. However, we do not expect this slowdown to spread to other regions. In the tradeshow of September 2007 held in Hong Kong, we received a positive response from customers of different regions.

We expect demand for luxury products to continue to increase along with continued improvement in global economic conditions. These factors should benefit our core business segment of South Sea pearls and assembled jewelry products.

China Pearls and Jewellery City project

During the six months ended September 30, 2007, we acquired additional interests in the China Pearls and Jewellery City Project (“CP&J project”) located in Zhuji, Zhejiang province, the PRC. Before this acquisition, we owned 49% of the CP&J project. After the acquisition, we owned 55% of the CP&J project. We expect the CP&J project, which is a major trading platform for pearls and jewellery in the PRC, to broaden our customer base.

We expect that the phase one of the CP&J project will be completed in 2008 as planned. The tenants of approximately 600 units which previously occupied the existing old jewellery market in Zhuji have agreed to move into our newly-built Zhuji’s jewellery city (“Jewellery City”), and will occupy approximately 30% of the total units of the Jewellery City. We expect it will help push forward the attraction of our market.

We expect our property development segment will continue to be one of our core businesses and will contribute sustainable growth.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed securities during the six months ended September 30, 2007.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDERS

There are no specific performance obligations of the controlling shareholders that required to be disclosed under paragraph 13.18 of Chapter 13 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted a code of conduct regarding securities transactions of directors and employees (the “Securities Code”) no less exacting than the required standard set out in the Model Code. The Company confirms that, having made specific enquiry with all Directors, that have complied with the required standard set out in the Securities Code for the period ended September 30 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

During the six months ended September 30, 2007, the Company has complied with the code provision set out in the Code of Corporate Governance Practice contained in Appendix 14 of the Listing Rules except for code provision A.2.1 and A.4.1.

According to code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng Chung Hing assumes both the said roles currently. Mr. Cheng Chung Hing who has outstanding industry experience, is one of the founders and substantial shareholders of the Group. The Board is of the view that it is in the best interest of the Group to have executive chairman who is most knowledgeable about the business of the Group and is capable to guide the growth of the Group and report to 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.

As required by code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Pursuant to relevant provisions of the Bye-laws of the Company, any director appointed to fill a casual vacancy shall hold office until the next annual general meeting of the Company and is therefore subject to re-election by the shareholders at that annual general meeting after his or her appointment. All Directors would retire at annual general meeting at least once every three years either by rotation pursuant to the retirement provisions of the Bye-laws or on voluntary basis. At the annual general meeting of the Company held on August 1, 2007, Mr. Kiu Wai Ming, Kenneth and Mr. Lau Chi Wah, Alex, both are Independent Non-executive Director retired from their office and were re-elected as Directors.

AUDIT COMMITTEE

Grant Thornton has reviewed the unaudited interim results of the Group for the six months ended September 30, 2007 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by The Hong Kong Institute of Certified Public Accountants. The audit committee of the Company, which comprises all three Independent Non-executive Directors, has reviewed the unaudited interim results of the Company for the six months ended September 30, 2007 and has recommended their adoption by the Board.

PUBLICATION OF FURTHER INFORMATION

The Interim Report for the six months ended September 30, 2007 containing all the applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Company at www.man-sang.com and the Stock Exchange at www.hkex.com.hk in due course.

On behalf of the Board
CHENG CHUNG HING
Chairman

Hong Kong, November 13, 2007

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.