



MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2005

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 quarter and nine months ended December 31, 2005. The results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

Notes	For the three months ended December 31, 2005		For the nine months ended December 31, 2005	
	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited) (as restated)	2005 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited) (as restated)
Turnover	90,174	109,074	302,041	316,135
Cost of sales	(66,423)	(80,674)	(219,683)	(228,365)
Gross profit	23,751	28,400	82,358	87,770
Investment income	2,165	303	4,786	637
Net unrealised gain on financial assets at fair value through profit or loss/other investments	165	998	1,650	1,114
Other operating income	932	1,095	3,349	4,627
Selling expenses	(1,364)	(818)	(5,821)	(5,263)
Administrative expenses	(16,720)	(21,877)	(48,382)	(61,278)
Profit from operations	8,929	8,101	37,940	27,607
Finance costs	-	(22)	-	(100)
Profit before taxation	8,929	8,079	37,940	27,507
Taxation	(523)	(578)	(5,689)	525
Net profit for the period	8,406	7,501	32,251	28,032
Earnings per share Basic			3.22 cents	2.80 cents

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. ACCOUNTING POLICIES

The accounting policies adopted in the 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 the 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 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 the unaudited condensed consolidated 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 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:

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

	Pearls HK\$'000	Property Investment HK\$'000	Consolidated HK\$'000
Revenue			
External sales or rentals	302,041	2,428	304,469
Results			
Segment results	34,394	(1,586)	32,808
Unallocated other operating income			7,357
Unallocated corporate expenses			(2,225)
Profit from operations			37,940

For the nine months ended December 31, 2004 (unaudited)

	Pearls HK\$'000	Property Investment HK\$'000	Consolidated HK\$'000
Revenue			
External sales or rentals	316,135	3,710	319,845
Results			
Segment results	32,598	(3,783)	28,815
Unallocated other operating income			2,658
Unallocated corporate expenses			(3,866)
Profit from operations			27,607

4. TAXATION

	For the three months ended December 31, 2005		For the nine months ended December 31, 2005	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Current tax:				
Hong Kong	1,391	1,268	8,069	7,104
People's Republic of China, other than Hong Kong (the "PRC")	163	-	163	(452)
	1,554	1,268	8,232	6,652
Deferred tax:				
Current period	(1,031)	(690)	(2,543)	(7,177)
	523	578	5,689	(525)

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\$32,251,000 (nine months ended December 31, 2004: HK\$28,032,000) and on 1,000,740,000 (nine months ended December 31, 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	6.14
Adjustment arising from the bonus issue	(0.56)
Adjustment arising from the adoption of HKAS 40	(3.34)
Adjustment arising from the adoption of HKAS-INT 21	0.56
Restated figure	2.80

No diluted earnings per share have been presented for both periods because there are no dilutive potential ordinary shares in issue for the nine months ended December 31, 2005 and December 31, 2004.

THE THIRD INTERIM DIVIDEND

The Directors do not recommend the payment of a third interim dividend for the nine months ended December 31, 2005 (nine months ended December 31, 2004: Nil).

BUSINESS REVIEW AND PROSPECTS

For the nine months ended December 31, 2005, turnover decreased approximately by 4.5% to HK\$ 302.0 million when compared to the same period last year. This decrease in turnover is primarily due to the decline in demand of South Sea pearls from our U.S. customers and partly due to strong upward swing of bullion prices in 2005 which has negatively impacted the sales of our assembled jewelry products. Despite the decrease in turnover as compared to the same quarter of last year, South Sea pearls remains the Group's major sales contributor. In addition, the European market shows a healthy growth while the North American market has dropped in its performance during this quarter. Although total turnover has declined, the gross profit margin still remains comparable to last year's level, reflecting a slight drop of only 0.5%.

With increasing bank interest rates, the Group benefits from the higher interest income on fixed deposits when compared to same period last year. In addition, lower selling, general and administrative expenses due to lower bad debt provision made in this period also accounts for the higher net income when compared to last period.

We will continue to explore new markets and new opportunities to expand our business while maintaining our high quality of service to our existing customers. We will apply the right strategies to adapt to the change in 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 be working hard to achieve a promising result in the coming quarter.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2005, the Group's total shareholders' funds amounted to HK\$589.6 million, compared with HK\$556.1 million at March 31, 2005. The gearing ratio is zero with no outstanding debts at December 31, 2005 and March 31, 2005.

At December 31, 2005, the Group had a working capital of HK\$371.6 million, which included a cash balance of HK\$244.5 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\$15.1 million and trade and other receivables by HK\$14.4 million, but being offset by the increase in taxation payable by HK\$8.2 million.

The Group had available working capital facilities of HK\$ 47.0 million in total with various banks at December 31, 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 December 31, 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 nine months ended December 31, 2005, 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 14, 2006

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.