MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2006

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

RESULTS

The Board of Directors (the "Directors") of Man Sang International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended March 31, 2006, together with the comparative figures for the previous year, as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2006

	Note	**2006** *HK$'000*	2005 *HK$'000* (Restated)
Turnover	2	**378,297**	412,262
Cost of sales		**(272,443)**	(295,014)
Gross profit		**105,854**	117,248
Investment income	3	**7,672**	1,213
Other operating income		**4,675**	6,039
Selling expenses		**(8,407)**	(7,647)
Administrative expenses		**(66,373)**	(75,169)
Revaluation increase on buildings		**81**	30
Increase in fair value of investment properties		**40**	3,146
Net unrealized gain on financial assets at fair value through profit or loss/other investments		**3,274**	646
Impairment loss on available-for-sale financial assets/investment securities		**–**	(856)
Impairment loss on property, plant and equipment		**–**	(2,617)
Profit from operations	4	**46,816**	42,033
Finance costs	5	**–**	(100)
Profit before taxation		**46,816**	41,933
Taxation	6	**(3,836)**	85
Profit for the year		**42,980**	42,018
Earnings per share			
Basic	7	**4.29 cents**	4.20 cents

CONSOLIDATED BALANCE SHEET
At March 31, 2006

	Note	**2006** **HK$'000**	2005 HK$'000 (Restated)
Non-current assets			
Investment properties		**94,863**	77,650
Property, plant and equipment		**103,056**	107,507
Prepaid land lease payments		**32,030**	32,794
Interest in an associate		**1,692**	–
Deferred tax assets		**5,100**	3,373
		236,741	221,324
Current assets			
Inventories		**55,870**	82,705
Trade and other receivables	*8*	**58,453**	54,629
Financial assets at fair value through profit or loss/Other investments		**15,560**	8,422
Tax receivable		**1,451**	–
Cash and cash equivalents		**286,580**	229,350
		417,914	375,106
Current liabilities			
Trade and other payables	*9*	**33,269**	30,555
Taxation		**–**	1,661
		33,269	32,216
Net current assets		**384,645**	342,890
Total assets less current liabilities		**621,386**	564,214
Non-current liabilities			
Due to immediate holding company		**2,095**	2,245
Deferred tax liabilities		**10,866**	8,954
		12,961	11,199
Net assets		**608,425**	553,015
Capital and reserves			
Share capital		**100,074**	90,977
Reserves	*10*	**508,351**	462,038
		608,425	553,015

Notes:

1. **Significant accounting policies**

Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, investment properties, leasehold land and buildings which are stated at fair value.

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, 2005 except that the Group has changed certain of its accounting policies following the adoption of new and revised HKFRSs issued by HKICPA which become effective for accounting periods beginning on or after January 1, 2005. Details of the major changes in accounting policies for the current and prior accounting periods reflected in these financial statements are summarized below.

Leasehold land and buildings held for own use (HKAS 17 Leases)

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the other property revaluation reserve.

With effect from January 1, 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be measured separately from the fair value of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

The prepaid land lease payments are accounted for as operating lease and stated at cost and amortized over the period of lease whereas the buildings held for own use which are situated on such land leases continue to be carried at revalued amount and presented as part of property, plant and equipment.

This change in accounting policies has been applied retrospectively.

Financial instruments (HKAS 32 Financial instruments: Disclosure and presentation and HKAS 39 Financial instruments: Recognition and measurement)
The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Until March 31, 2005, the Group classified investments into investment securities and other investments. Investment securities were stated at cost less provision for impairment losses that was expected to be other than temporary. Other investments were stated at their fair value and changes in fair value were recognized in income statement as they arise.

In accordance with the provisions of HKAS 39, the investments have been classified into financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Upon the adoption of HKAS 32 and HKAS 39, the Group's investment securities and other investments were re-designated as available-for-sale financial assets and financial assets at fair value through profit or loss respectively. They have been re-measured in accordance with HKAS 39 as appropriate.

Investment property (HKAS 40 Investment property)
In prior years, investment properties were stated at open market values with revaluation increase or decrease credited or charged to investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

Upon adoption of HKAS 40, the Group has elected to use the fair value model to account for its investment properties which required changes in the fair value of investment properties to be recognized directly in the income statement for the period in which they arise. The new accounting policy has been applied retrospectively.

Measurement of deferred tax on movements in fair value of investment properties (HKAS-Int 21 Income taxes – Recovery of revalued non-depreciable assets)
The adoption of HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale. The new accounting policy has been applied retrospectively.

Definition of related parties (HKAS 24 Related party disclosures)
As a result of the adoption of HKAS 24 Related party disclosures, the definition of related parties has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period.

Restatement of prior period balances/Estimated effects of changes in accounting policies on current period

	Income statement		**Balance sheet**	
	2006	2005	**2006**	2005
	HK$	*HK$*	***HK$***	*HK$*
HKAS 17				
Decrease in property, plant and equipment	**–**	–	**(41,426)**	(36,038)
Increase in prepaid land lease payments	**–**	–	**32,030**	32,794
Decrease in deferred tax liabilities	**–**	–	**2,119**	150
Decrease in other property revaluation reserve	**–**	–	**5,116**	638
Decrease in accumulated profits	**–**	–	**2,161**	2,457
Decrease (Increase) in administrative expenses	**74**	(131)	**–**	–
Increase in revaluation surplus on buildings	**80**	30	**–**	–
Decrease in revaluation surplus on leasehold land and buildings	**(340)**	(5,392)	**–**	–
Decrease in taxation	**738**	64	**–**	–
HKAS 40 and HKAS-Int 21				
Decrease in investment property revaluation reserve	**–**	–	**3,901**	9,764
Increase in accumulated profits	**–**	–	**(10,611)**	(16,889)
Decrease in deferred tax assets	**–**	–	**(569)**	(155)
Decrease in deferred tax liabilities	**–**	–	**7,279**	7,279
Increase in other operating income	**–**	10	**–**	–
Increase in revaluation surplus on investment properties	**40**	3,146	**–**	–
(Increase) Decrease in taxation	**(415)**	6,166	**–**	–
Decrease in gain on disposal of an investment property	**–**	(33,388)	**–**	–
	177	(29,495)	**–**	–

2. **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 outsider customers during the period.

For management purposes, 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 and wholesale distribution of pearls and jewelry products
Property investment	–	Leasing of properties

Segment information about these businesses is presented below:

Income Statement (For the year ended March 31, 2006)

	Pearls *HK$'000*	**Property Investment** *HK$'000*	**Consolidated** *HK$'000*
Revenue			
External sales or rentals	**378,297**	**3,362**	**381,659**
Results			
Segment results	**40,176**	**(2,117)**	**38,059**
Unallocated other operating income			**12,210**
Unallocated corporate expenses			**(3,453)**
Profit from operations			**46,816**
Finance costs			**–**
Profit before taxation			**46,816**
Taxation			**(3,836)**
Profit for the year			**42,980**

Income Statement (For the year ended March 31, 2005)

	Pearls *HK$'000* (Restated)	Property Investment *HK$'000* (Restated)	Consolidated *HK$'000* (Restated)
Revenue			
External sales or rentals	412,262	4,646	416,908
Results			
Segment results	45,123	(1,673)	43,450
Unallocated other operating income			3,107
Unallocated corporate expenses			(4,524)
Profit from operations			42,033
Finance costs			(100)
Profit before taxation			41,933
Taxation			85
Profit for the year			42,018

3. **Investment income**

	2006 *HK$'000*	2005 *HK$'000*
Interest income	**6,674**	978
Dividends received from financial assets at fair value through profit or loss/other investments	**292**	235
Gain on disposal of financial assets at fair value through profit or loss/other investments	**706**	–
	7,672	1,213

4. **Profit from operations**

Profit from operations has been arrived at after charging/(crediting):

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Depreciation of property, plant and equipment	**6,543**	5,981
Amortization of prepaid land lease payments	**764**	764
Gain on disposal of property, plant and equipment and an investment property	**(1)**	(146)

5. **Finance costs**

	2006 *HK$'000*	2005 *HK$'000*
Interest on bank borrowings wholly repayable within five years	**–**	100

6. **Taxation**

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Current tax:		
Hong Kong	**5,730**	6,531
People's Republic of China, other than Hong Kong (the "PRC")	**172**	–
	5,902	6,531
Overprovision in prior year:		
Hong Kong	**(6)**	(277)
PRC	**–**	(482)
	(6)	(759)
Deferred tax:		
Current year	**(2,060)**	(5,857)
	3,836	(85)

Hong Kong Profits Tax is calculated at a rate of 17.5% of the estimated assessable profit for both years.

Income tax in the PRC is calculated at 15% of the income of the PRC subsidiaries for both years.

7. **Earnings per share**

The calculation of the basic earnings per share is based on the profit for the year of HK$42,980,000 (2005 (restated): HK$42,018,000) and on 1,000,740,000 (2005: 1,000,740,000) shares in issue during the year.

No diluted earnings per share have been presented for both years as there are no dilutive potential ordinary shares in issue for the two years ended March 31, 2006 and 2005.

The number of ordinary shares for both years 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 are as follows:

	HK cents
Reported figure before adjustments	7.86
Effect of adoption of HKFRSs	(3.24)
Restated figure before bonus issue adjustments	4.62
Adjustment arising from the bonus issue	(0.42)
Restated figure	4.20

8. **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$47,330,000 (2005: HK$47,450,000) and their aged analysis after credit period is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**43,479**	46,595
61 – 120 days	**3,851**	855
	47,330	47,450

9. **Trade and other payables**

Included in trade and other payables of the Group are trade payables of HK$11,477,000 (2005: HK$8,588,000) and their aged analysis after credit period is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**9,461**	8,270
61 – 120 days	**1,268**	315
>120 days	**748**	3
	11,477	8,588

10. **Reserves**

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Accumulated profits	**415,693**	371,767
Translation reserve	**6,265**	4,563
Other property revaluation reserve	**33,751**	23,969
Merger reserve	**(200)**	(200)
Other non-distributable reserve	**2,001**	2,001
Share premium	**50,841**	59,938
	508,351	462,038

An analysis of movements on reserves is set out below:

Accumulated profits		
Brought forward	**371,767**	329,349
Profit for the year	**42,980**	42,018
Release on depreciation of leasehold land and buildings	**946**	400
Carried forward	**415,693**	371,767
Translation reserve		
Brought forward	**4,563**	4,542
Exchange differences arising from translation of financial statements of operations outside Hong Kong	**1,702**	21
Carried forward	**6,265**	4,563
Other property revaluation reserve		
Brought forward	**23,969**	7,897
Revaluation increase on leasehold land and buildings	**12,973**	18,699
Release on depreciation of leasehold land and buildings	**(946)**	(400)
Deferred tax liabilities arising on revaluation of leasehold land and buildings	**(2,245)**	(2,227)
Carried forward	**33,751**	23,969
Merger reserve		
Brought forward and carried forward	**(200)**	(200)
Other non-distributable reserve		
Brought forward and carried forward	**2,001**	2,001
Share premium		
Brought forward	**59,938**	68,209
Capitalization on bonus issue of shares	**(9,097)**	(8,271)
Carried forward	**50,841**	59,938

THE FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended March 31, 2006 (2005: Nil).

BUSINESS REVIEW AND PROSPECTS

South sea pearls' performance is still the Group's main core business stream apart from our assembled pearl jewelry and jewelry products, representing 39.9% and 45.6% of total turnover respectively. The geographical analysis shows that the European market continues to grow at a healthy pace while US market has dropped in this year. Sales of freshwater pearls have shown an increase in performance indicating that freshwater pearls have their potential in attracting those customers with a more affordable price range segment.

On the property investment side, the Group has committed into a project investment located in Zhuji, Zhejiang, PRC. Zhuji Municipal is one of the largest freshwater pearls nurturing and trading centres in the PRC supplying comprehensive range of freshwater pearls and other pearls products. The project will involve building a new international market place together with related facilities in Zhuji. Capturing the existing market customer base in this existing marketplace, we expect the project will further enlarge our Group's customer base and business. The initial registered capital is US$20 million which will be injected after the year ended March 31, 2006 and the estimated investment is US$40 million. The first phase will cover a land use area of more than 400,000 sq. m. Our Group owns 49% interest of this project.

Despite the drop in the Group's sales performance in this fiscal year, we have a full team of designers offering wide range of innovative and trendy products design to our customers as well as a full team of skilful labor to ensure our superb production quality of our pearls and jewelry products. By expanding our customer network through pro-active marketing as well as continuous investment in our back-end production equipment and improvements made in our techniques, we will keep on working hard to achieve a better sales performance result. In addition, our cost-control measures will continue to enforce to ensure expenditures are incurred in a cost-effective way.

Furthermore, with our coming project investment located in Zhuji and due to the strategic importance of its location, our customer base will expect to be enlarged and we can also build a global brand name to become one of the market leaders in the pearl industry. This can further diversify and expand our group's property investment business. Looking forward, our business future looks promising and we expect that this Zhuji project investment can bring our Group into another level.

FINANCIAL RESOURCES AND LIQUIDITY

(a) At March 31, 2006, the Group had working capital of HK$384.6 million, which included a cash balance of HK$286.6 million, compared with working capital of HK$342.9 million, which included a cash balance of HK$229.4 million at March 31, 2005. The current ratio as at March 31, 2006 was 12.6 compared to 11.6 as at March 31, 2005. Net cash inflow from operating activities for the year ended March 31, 2006 was HK$60.3 million as compared to HK$91.1 million for the year ended March 31, 2005.

(b) The Group had available working capital facilities of HK$47.0 million in total with various banks at March 31, 2006. Such banking facilities include letter of credit arrangements, import loans, overdraft and other facilities commonly used in the 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 March 31, 2006, the Group did not utilize sub-credit 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.

(c) At the balance sheet date, the Group had pledged the following assets to banks to secure bank borrowings and general banking facilities:

	2006	2005
	HK$'000	*HK$'000*
Carrying amount of leasehold land and buildings	**93,046**	84,800
Carrying amount of investment properties	**11,200**	10,400
	104,246	95,200

(d) The Group's exposure to foreign currency risk is mainly in US dollars (sales transactions) and Renminbi (purchases of pearls). The Group does not foresee a substantial exposure to fluctuations in exchange rate since i) Hong Kong dollars remained pegged to US dollars, the Company's sales proceeds have had minimal exposure to foreign currency fluctuations; ii) Renminbi is relatively stable in relation to other currencies, thus the Group does not commit in any exchange rate hedges.

GEARING RATIO

At March 31, 2006 and 2005, the Group's gearing ratio is zero with no outstanding debts. Shareholders' funds amounted to HK$608.4 million and HK$553.0 million respectively.

USE OF PROCEEDS FROM ISSUE OF NEW SHARES

The proceeds from issue of new shares by the Company in September 1997, net of listing expenses, were approximately HK$123.4 million. The net proceeds have been fully utilized as stated in the prospectus except for the following as utilized balance, which has been placed short term bank deposits in Hong Kong Banks:

(a) approximately HK$26 million for the expansion of processing facilities of Chinese cultured pearls and freshwater pearls; and

(b) approximately HK$23 million for the investment in pearl farms in major pearl producing countries.

The net proceeds from the placing of 40,000,000 new shares by the Company in August 1999 were approximately HK$12.75 million. The net proceeds have been fully utilized for the purpose as stated in the announcement dated August 6, 1999 except for approximately HK$3 million for retail market development in pearl products in the PRC being unused. The said balance was deposited in various banks in Hong Kong.

On July 3, 2003, the Board of Directors (the "Board") announced that it is in the best interests of the Company and the Company's shareholders to modify the usage of the unutilized balance of the proceeds and changed the use of unutilized proceeds of approximately HK$52 million to the following purposes:–

(i) approximately HK$20 million for the expansion and improvement of the jewelry manufacturing facilities;

(ii) approximately HK$12 million for the promotion of pearl and jewelry businesses;

(iii) approximately HK$20 million for general working capital of the Group.

At March 31, 2006, the HK$52 million was unutilized with the same usage as disclosed on July 3, 2003. The said amount is deposited in various banks in Hong Kong.

HUMAN RESOURCES

The Group has approximately 1,030 (2005: approximately 1,284) employees. The majority of these employees work in the PRC. Remuneration of the Group's employees includes basic salaries and bonuses. The Group incurred staff cost of approximately HK$44.5 million for the year ended March 31, 2006 (2005: approximately HK$47.5 million). In order to attract and retain a high caliber of capable and motivated human resources, the Company offers share options to staff based on the individual performance and the achievement of the Company's objectives and targets.

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 year.

CORPORATE GOVERNANCE

The Company has, throughout the year ended March 31, 2006, complied with most of the applicable code provisions and principles of the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the following deviation from code provision A.2.1.

Under code provision A.2.1, the roles of the chairman and chief executive officer are required to be separated and not to be performed by the same individual.

Mr. Cheng Chung Hing ("Mr. Cheng") assumes the role of both the chairman and the chief executive officer of the Group. The roles of chairman and chief executive officer of the Group rest on the same individual which deviates from code provision A.2.1. The reason for such deviation is set out below.

Mr. Cheng is one of the founders and a substantial shareholder of the Group and has considerable industry experience. The Board is of the view that it is in the best interests of the Group to have an executive chairman who is most knowledgeable about the business of the Group and is most 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.

In light of the above, the Company does not currently propose to appoint two separate individuals to take up respective roles of chairman and chief executive officer of the Company.

Information on the Company's corporate governance practices and its applications of the CG Code will be set out in the Corporate Governance Report contained in the Company's 2006 Annual Report which will be dispatched to the Company's shareholders in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transaction by the Directors. Having made specific enquiries with all the Directors, the Company confirmed that all the Directors have complied with the required standard as set out in the Model Code throughout the year ended March 31, 2006.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive directors of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended March 31, 2006.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

On behalf of the Board
CHENG CHUNG HING
Chairman

Hong Kong, June 28, 2006

As at the date hereof, the Board comprises Mr. Cheng Chung Hing, Mr. Cheng Tai Po, and Ms. 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."