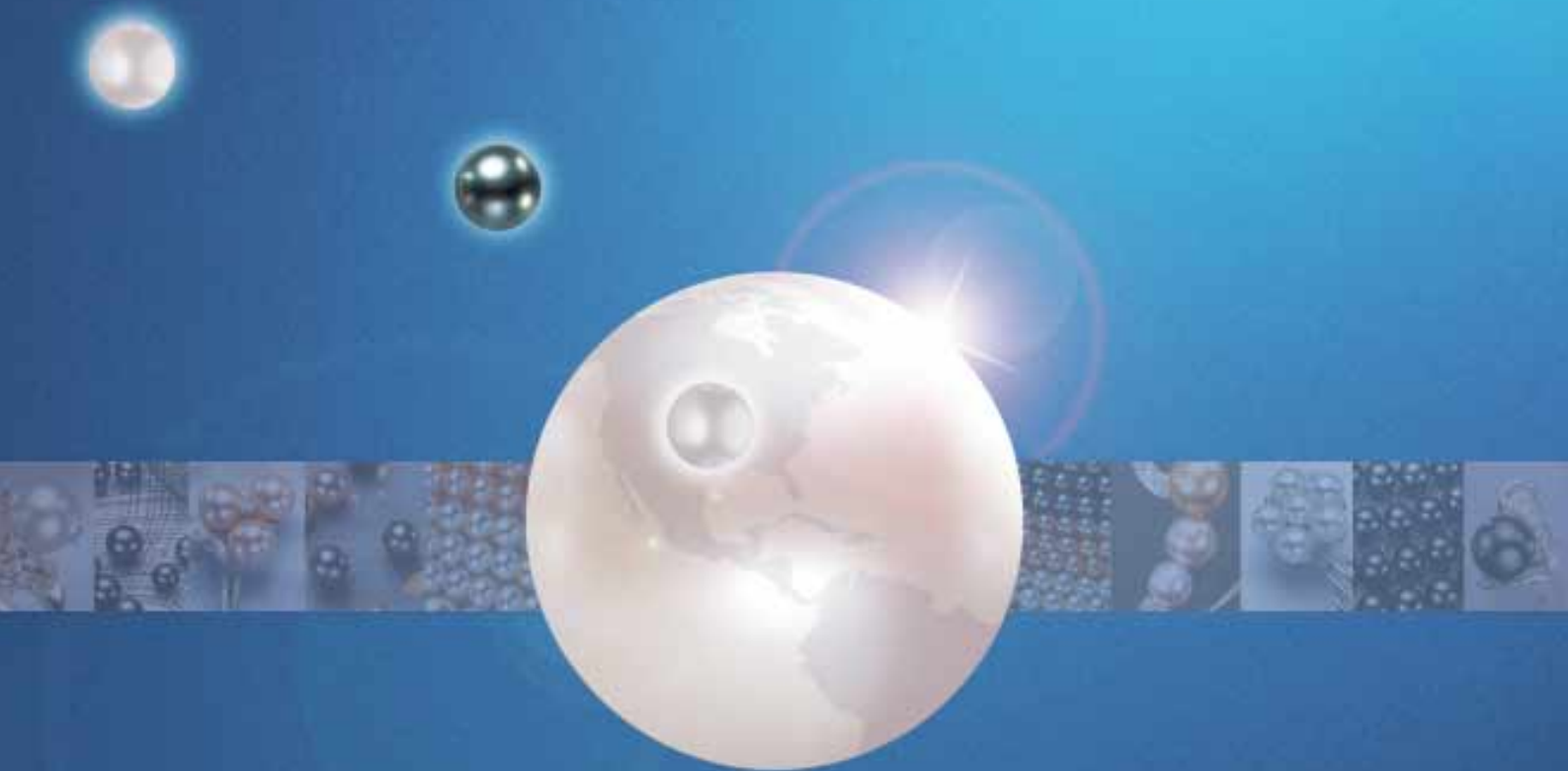




Man Sang International Limited

(Incorporated in Bermuda with limited liability)



INTERIM REPORT

For the six months ended September 30, 2002

INTERIM RESULTS

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, 2002. The results have been reviewed by the Company’s auditors, Deloitte Touche Tohmatsu, and by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended September 30, 2002

		For the six months ended September 30,	
		2002	2001
	NOTES	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover		158,221	145,939
Cost of sales		<u>(105,871)</u>	<u>(101,625)</u>
Gross profit		52,350	44,314
Other revenue		5,020	4,733
Selling expenses		(3,331)	(3,151)
Administrative expenses		(27,071)	(30,195)
Impairment loss on goodwill arising on acquisition of subsidiaries		<u>-</u>	<u>(1,353)</u>
Profit from operations	4	26,968	14,348
Unrealised loss on other investments		(3,268)	(3,539)
Investment income		690	2,022
Finance costs		(1,036)	(3,403)
Share of result of an associate		<u>(80)</u>	<u>-</u>
Profit before taxation		23,274	9,428
Taxation	5	<u>(4,420)</u>	<u>(3,363)</u>
Profit before minority interests		18,854	6,065
Minority interests		<u>227</u>	<u>(57)</u>
Net profit for the period		<u>19,081</u>	<u>6,008</u>
Earnings per share	7		
Basic		<u>2.54 cents</u>	<u>0.95 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At September 30, 2002

	NOTES	9.30.2002 HK\$'000 (unaudited)	3.31.2002 HK\$'000 (audited)
Non-current assets			
Investment properties	8	117,500	104,420
Property, plant and equipment	8	54,589	70,158
Interest in an associate		280	–
Investment securities		3,486	3,330
		<u>175,855</u>	<u>177,908</u>
Current assets			
Inventories		145,993	118,511
Trade and other receivables	9	101,628	90,951
Other investments		10,316	13,584
Pledged bank deposits		–	16,169
Bank balances and cash		68,054	73,931
		<u>325,991</u>	<u>313,146</u>
Current liabilities			
Trade and other payables	10	20,693	16,563
Taxation		4,449	373
Secured bank borrowings – due within one year		21,175	35,020
		<u>46,317</u>	<u>51,956</u>
Net current assets		<u>279,674</u>	<u>261,190</u>
Total assets less current liabilities		<u>455,529</u>	<u>439,098</u>
Capital reserves			
Share capital		75,187	75,187
Reserves	11	342,345	322,883
		<u>417,532</u>	<u>398,070</u>
Minority interests		<u>1,816</u>	<u>2,043</u>
Non-current liabilities			
Secured bank borrowings – due after one year		19,222	22,010
Amount due to immediate holding company		16,959	16,975
		<u>36,181</u>	<u>38,985</u>
		<u>455,529</u>	<u>439,098</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended September 30, 2002

	For the six months ended September 30,	
	2002	2001
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Exchange differences arising from translation of financial statements of overseas operations not recognised in the income statement	381	659
Net profit for the period	<u>19,081</u>	<u>6,008</u>
Total recognised gains	<u>19,462</u>	<u>6,667</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended September 30, 2002

	For the six months ended September 30,	
	2002	2001
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(7,956)	24,076
NET CASH FROM INVESTING ACTIVITIES	18,847	29,392
NET CASH USED IN FINANCING ACTIVITIES	<u>(16,769)</u>	<u>(36,793)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,878)	16,675
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	73,931	49,135
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>1</u>	<u>32</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<u>68,054</u>	<u>65,842</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended September 30, 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties and investments in securities.

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, 2002, except as described below.

In the current period, the Group adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. The adoption of these standards has resulted in a change in the format of presentation of the cash flow statement, as described below, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash Flow Statements

In the current period, the Group adopted SSAP 15 (Revised) “Cash flow statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

3. SEGMENT INFORMATION

Business Segments

For management purposes, the Group is currently organised into two operating divisions – pearls and property investment. The following divisions are the basis on which the Group reports its primary segment information:

- Pearls – Purchasing, processing, assembling, merchandising, wholesale and retail distribution of pearls and pearl jewellery products

- Property investment – Leasing of properties

3. SEGMENT INFORMATION (Continued)

Business Segments (Continued)

Segment information about these businesses is presented below:

Six months ended September 30, 2002

	Pearls <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales or rentals	<u>158,221</u>	<u>3,700</u>	<u>161,921</u>
RESULT			
Segment results	<u>26,827</u>	<u>1,466</u>	28,293
Unallocated other operating income			1,320
Unallocated corporate expenses			<u>(2,645)</u>
Profit from operations			<u>26,968</u>

Six months ended September 30, 2001

	Pearls <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales or rentals	<u>145,939</u>	<u>3,811</u>	<u>149,750</u>
RESULT			
Segment results	<u>15,384</u>	<u>1,868</u>	17,252
Unallocated other operating income			922
Unallocated corporate expenses			<u>(3,826)</u>
Profit from operations			<u>14,348</u>

4. PROFIT FROM OPERATIONS

For the six months ended September 30,	
2002	2001
HK\$'000	HK\$'000

Profit from operations has been arrived at after charging:

Depreciation and amortisation of property, plant and equipment	<u>3,442</u>	<u>3,645</u>
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5. TAXATION

For the six months ended September 30,	
2002	2001
HK\$'000	HK\$'000

Current tax:

Hong Kong	<u>3,339</u>	2,217
People's Republic of China, other than Hong Kong (the "PRC")	<u>1,081</u>	<u>1,146</u>
	<u>4,420</u>	<u>3,363</u>

Hong Kong Profits Tax is calculated at the rate of 16% of the estimated assessable profit for both periods. Income tax in the PRC is calculated at the rate of 15% of the income of the PRC subsidiaries for the six months ended September 30, 2002 while it was calculated at the range of rates of 7.5% to 15% of the income of the PRC subsidiaries for the six months ended September 30, 2001.

6. DIVIDEND

The directors do not recommend the payment of an interim dividend (six months ended September 30, 2001: Nil) and propose that the profit for the period be retained. No dividend was paid during the period.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$19,081,000 (six months ended September 30, 2001: HK\$6,008,000) and on the weighted average number of 751,871,000 (six months ended September 30, 2001: 631,871,000) shares in issue during the period.

No diluted earnings per share have been presented for either period as the exercise prices of the Company's outstanding share options for the six months ended September 30, 2002 and the exercise prices of the Company's outstanding share options and warrants for the six months ended September 30, 2001 were higher than the average market price for the shares.

8. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The directors are of the opinion that the market values of the Group's investment properties and leasehold land and buildings as at September 30, 2002 are not materially different from the carrying amount of the investment properties and leasehold land and buildings. Accordingly, no valuation has been performed or recognised in respect of the Group's investment properties and property, plant and equipment in the period.

During the period, the Group reclassified leasehold land and buildings in the amount of HK\$13,080,000 to investment properties.

9. 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\$70,641,000 (March 31, 2002: HK\$60,814,000) and their aged analysis is as follows:

	9.30.2002 <i>HK\$'000</i>	3.31.2002 <i>HK\$'000</i>
0 – 60 days	45,271	37,804
61 – 120 days	20,495	19,232
> 120 days	4,875	3,778
	<u>70,641</u>	<u>60,814</u>

10. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK\$7,286,000 (March 31, 2002: HK\$3,726,000) and their aged analysis is as follows:

	9.30.2002 <i>HK\$'000</i>	3.31.2002 <i>HK\$'000</i>
0 – 60 days	6,119	3,651
61 – 120 days	1,167	67
> 120 days	–	8
	<u>7,286</u>	<u>3,726</u>

11. RESERVES

	Share premium HK\$'000	Other non- distributable reserve HK\$'000	Merger reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
Balance at April 1, 2001	73,698	2,001	(200)	25,979	-	(1,353)	2,303	201,346	303,774
Net profit for the period	-	-	-	-	-	-	-	6,008	6,008
Impairment loss recognised in respect of goodwill	-	-	-	-	-	1,353	-	-	1,353
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	-	659	-	659
Balance at September 30, 2001	73,698	2,001	(200)	25,979	-	-	2,962	207,354	311,794
Issue of shares at premium	2,400	-	-	-	-	-	-	-	2,400
Share issue expenses	(370)	-	-	-	-	-	-	-	(370)
Revaluation decrease on investment properties	-	-	-	(9,932)	-	-	-	-	(9,932)
Revaluation increase on leasehold land and buildings	-	-	-	-	4,031	-	-	-	4,031
Net profit for the period	-	-	-	-	-	-	-	14,379	14,379
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	-	581	-	581
Balance at March 31, 2002	75,728	2,001	(200)	16,047	4,031	-	3,543	221,733	322,883
Net profit for the period	-	-	-	-	-	-	-	19,081	19,081
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	-	381	-	381
Balance at September 30, 2002	75,728	2,001	(200)	16,047	4,031	-	3,924	240,814	342,345

THE SECOND INTERIM DIVIDEND

The Board of Directors resolved not to declare the second interim dividend in respect of the six months ended September 30, 2002 (2001: Nil).

BUSINESS REVIEW AND PROSPECTS

For the six months ended September 30, 2002, the Group recorded a turnover of approximately HK\$158.2 million, representing an increase of 8.4% as compared to the same period in 2001. Profit attributable to shareholders was approximately HK\$19.1 million, representing an increase of 217.6% as compared to same period last year. The improvement was mainly due to the increase in sales, gross profit margin and savings in administrative expenses.

The increase in sales made was mainly due to the overall improvement in market sentiment with major areas of growth in Asia (including the PRC and Thailand) and North America after the terrorist attack in New York in September a year ago. Among all categories of pearls, South Sea pearls (including white and gold South Sea pearls and Tahitian black pearls) continue to perform at its largest share constituting 52.4% of the Group's total turnover. The Group believes the fashion trend on South Sea pearls, especially on Tahitian black pearls, shall sustain. It will continue to enhance promotions on South Sea pearls to suit the market demand and to strengthen further on the Group's market share in this segment.

The improvement in gross profit margin was mainly due to the contribution of Chinese freshwater pearls as the Group has increased freshwater pearls of higher grades in its product mix. As a result, gross profit margin improved to 33.1% from 30.3% when compared to the same period last year.

With the continual cost saving program being carried out, a reduction of 14.2% was achieved in administrative expenses as compared to the same period last year.

The Group continues to adopt flexible marketing strategies and value added services to fulfill the customers' needs and continues to control costs and expenditures to enhance effectiveness on its operations. Looking ahead, the Group will continue to strengthen its core businesses as well as diversify to expand on its jewelry business. In addition, with the entry of the PRC into the WTO, the Group believes that the demand for pearl and jewelry products in the PRC will grow and it will take steps to enhance its presence there.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2002, the Group's total shareholders' funds amounted to HK\$417.5 million, compared with HK\$398.1 million at March 31, 2002. The gearing ratio was 10.1% at September 30, 2002, compared to 14.8% at March 31, 2002.

At September 30, 2002, the Group had working capital of HK\$279.7 million, which included a cash balance of HK\$68.1 million, compared with working capital of HK\$261.2 million, which included a cash balance of HK\$90.1 million at March 31, 2002. The increase in working capital is mainly due to a net increase in trading stock and trade and other receivable by HK\$27.5 million and HK\$10.7 million respectively and a decrease in cash and cash equivalent by HK\$5.9 million.

The Company had available working capital facilities of HK\$57 million in total with various banks at September 30, 2002. 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 based on prime lending rates, and are subject to periodic review. At September 30, 2002, the Group did not utilize any sub-credit facilities.

DIRECTORS' INTERESTS IN SECURITIES

(1) Interests in the Company

(a) Shares

At September 30, 2002, the interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of ordinary shares			
	Personal interests	Family interests	Corporate interests	Other interests
Mr. Cheng Chung Hing	-	-	426,000,000	-
Mr. Cheng Tai Po	6,506,400	-	426,000,000	-

Note: These shares were indirectly owned by Cafoong Limited, a company incorporated in the British Virgin Islands, through an indirect interest in Man Sang International (B.V.I.) Limited ("MSBVI"), a company which directly holds these 426,000,000 shares. Cafoong Limited indirectly holds a 100% equity interest in MSBVI through Man Sang Holdings, Inc. ("MSHI"), in which Cafoong Limited holds 57.10% of the common stock and all the Series A preferred stock at September 30, 2002, which totally represent 71.40% of the voting rights of MSHI. Mr. Cheng Chung Hing and Mr. Cheng Tai Po own 60% and 40% of the issued share capital of Cafoong Limited, respectively.

(b) Share options

Details of the directors' personal interests in share options to subscribe for shares in the Company are set out in the section headed "Share Options" below.

(2) Interests in associated corporation – MSHI

Name of director	Number of shares of common stock of US\$0.001 each in MSHI held				Number of stock options of MSHI held (Note ii)			
	Personal interests	Family interests	Corporate interests	Other interests	Personal interests	Family interests	Corporate interests	Other interests
Mr. Cheng Chung Hing	-	-	2,750,000	-	100,000	-	-	-
Mr. Cheng Tai Po	-	-	2,750,000	-	100,000	-	-	-
Ms. Yan Sau Man, Amy	-	-	-	-	100,000	-	-	-

Notes:

- (i) These shares were directly owned by Cafoong Limited, a company incorporated in the British Virgin Islands. Cafoong Limited holds 57.10% of the common stock and all the Series A preferred stock of MSHI at September 30, 2002, which totally represent 71.40% of the voting rights of MSHI. Mr. Cheng Chung Hing and Mr. Cheng Tai Po owned 60% and 40% of the issued share capital of Cafoong Limited, respectively.
- (ii) The stock options were granted under the stock option plan of MSHI adopted on October 17, 1996 and entitle the holders thereof to subscribe for shares of common stock US\$0.001 each in MSHI at a subscription price of US\$1.22 per share. 50% of the granted stock options are exercisable on or after September 16, 1998 and the balances are exercisable on or after September 16, 1999; however none of them may be exercised after September 16, 2007.

Save as disclosed above, none of the directors had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SHARE OPTIONS

Pursuant to the recent changes of the Rules Governing the Listing of Securities (the “Listing Rules”) in relation to share option schemes, on August 2, 2002, the Company adopted a new share option scheme (the “2002 Scheme”) and terminated the one adopted on September 8, 1997 (the “1997 Scheme”). Upon termination of the 1997 Scheme, no further options will be granted thereunder but in all other respects, the provisions of the 1997 Scheme shall remain in force and all outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. As at September 30, 2002, the number of shares in respect of which options had been granted under the 1997 Scheme was 34,800,000. No options were granted under the 2002 Scheme during the period.

The following table discloses movements in the Company’s share options granted under the 1997 Scheme during the period:

Directors	Date of share options granted	Outstanding at beginning of the period	Granted and exercised during the period	Lapsed during the period	Outstanding at end of the period
Mr. Cheng Chung Hing	November 16, 1999	1,560,243	–	(1,560,243)	–
	April 28, 2000	12,000,000	–	–	12,000,000
Mr. Cheng Tai Po	November 16, 1999	1,560,243	–	(1,560,243)	–
	April 28, 2000	12,000,000	–	–	12,000,000
Ms. Yan Sau Man, Amy	November 16, 1999	2,400,375	–	(2,400,375)	–
	April 28, 2000	6,000,000	–	–	6,000,000
Total for directors		35,520,861	–	(5,520,861)	30,000,000
Other employees	November 16, 1999	2,940,458	–	(2,940,458)	–
	April 28, 2000	4,800,000	–	–	4,800,000
Total for other employees		7,740,458	–	(2,940,458)	4,800,000
		43,261,319	–	(8,461,319)	34,800,000

Details of specific categories of options are as follows:

Date of share options granted	Exercise period	Exercise price per share HK\$
November 16, 1999	May 16, 2000 – May 15, 2002	0.2133
April 28, 2000	October 28, 2000 – October 27, 2002	0.2475

The closing prices of the Company’s shares immediately before the dates of grant on November 16, 1999 and April 28, 2000 were HK\$0.32 and HK\$0.37, respectively.

Save as disclosed under the sections headed “Directors’ Interests In Securities” and “Share Options” above, at no time during the period was the Company, its holding companies, or its subsidiaries, a party to any arrangements to enable the directors, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at September 30, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

Name of shareholder	Number of Shares Held		Percentage of issued share capital	Note
	Direct interest	Deemed interest		
MSBVI	426,000,000	–	56.66%	
MSHI	–	426,000,000	56.66%	i
Cafoong Limited	–	426,000,000	56.66%	ii
Guangdong Development Bank Shenzhen Branch	90,142,000	–	11.99%	

Notes:

- (i) This represented the deemed interest in 426,000,000 shares in the Company held by MSBVI which is a wholly-owned subsidiary of MSHI.
- (ii) This represented the deemed interest in 426,000,000 shares in the Company held by MSBVI whereby Cafoong Limited holds 57.10% of the common stock and all of the Series A preferred stock of MSHI at September 30, 2002, which represent 71.40% of the voting rights of MSHI.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company’s issued share capital as at September 30, 2002.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

During the six months ended September 30, 2002, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended September 30, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules issued by The Stock Exchange of Hong Kong Limited.

On behalf of the Board
Cheng Chung Hing
Chairman

Hong Kong, November 14, 2002