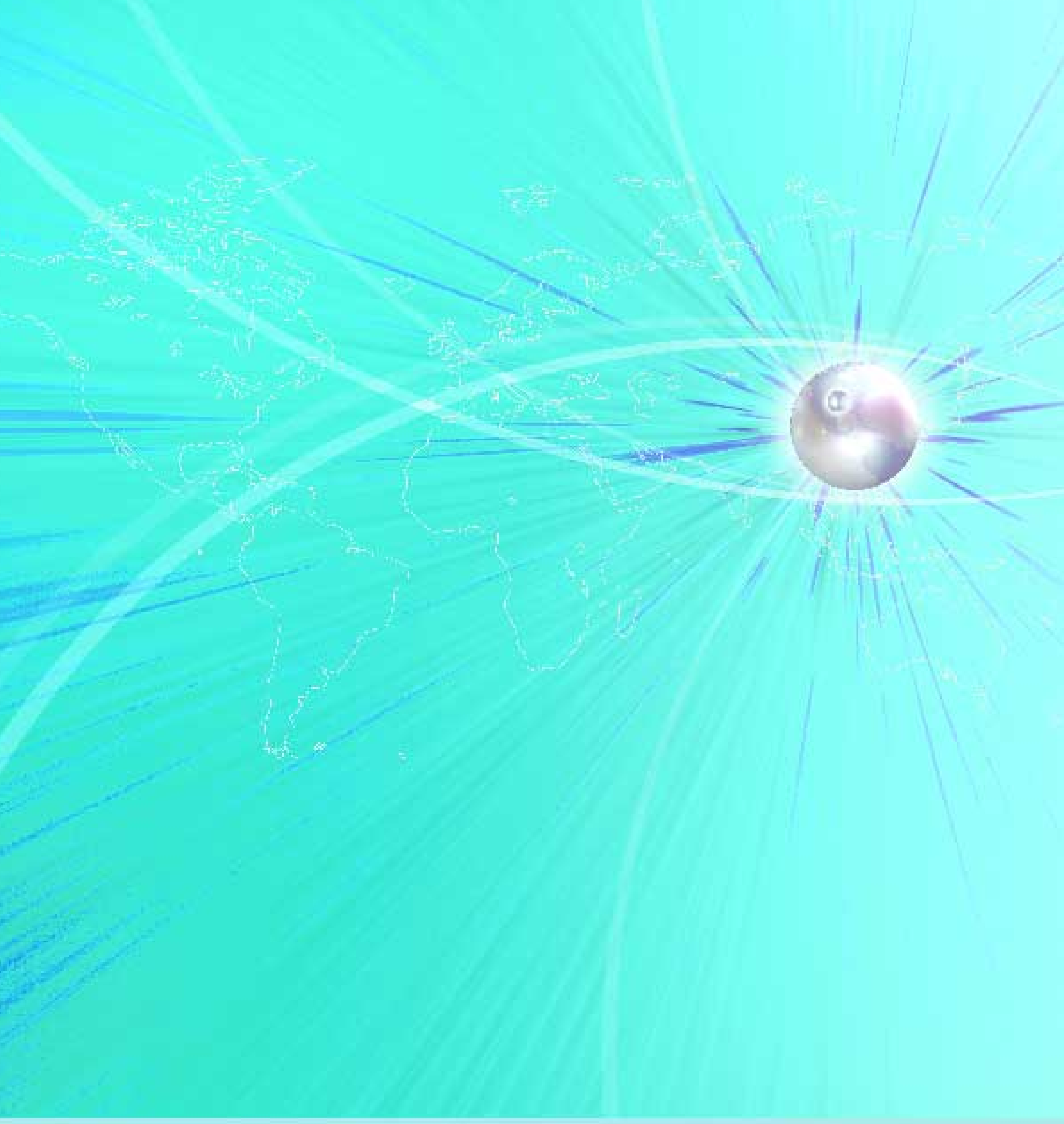
Interim Report 2005



Man Sang International Limited

(Incorporated in Bermuda with limited liability)

The Ultimate Name in Pearls

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, 2005. The results have been reviewed by the Company's audit committee and by the Company's auditors, Moores Rowland Mazars, in accordance with the Hong Kong Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants.

Moores Rowland Mazars
摩斯倫・馬賽會計師事務所

Independent Review Report
To the Board of directors of Man Sang International Limited
(incorporated in Bermuda with limited liability)

Introduction
We have been instructed by the Company to review the interim financial report set out on pages 02 to 13.

Respective responsibilities of directors and auditors
The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed
We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion
On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended September 30, 2005.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants
Hong Kong, November 14, 2005

Condensed Consolidated Income Statement

For the six months ended September 30, 2005

		For the six months ended September 30,	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited) (as restated)
Turnover	*3*	**211,867**	207,061
Cost of sales		**(153,260)**	(147,691)
Gross profit		**58,607**	59,370
Investment income		**2,621**	334
Net unrealised gain on financial assets at fair value through profit or loss/other investments		**1,485**	116
Other operating income		**2,417**	3,532
Selling expenses		**(4,457)**	(4,445)
Administrative expenses		**(31,662)**	(39,401)
Profit from operations		**29,011**	19,506
Finance costs		**–**	(78)
Profit before taxation	*4*	**29,011**	19,428
Taxation	*5*	**(5,166)**	1,103
Net profit for the period		**23,845**	20,531
Earnings per share	*7*		
– Basic		**2.38 cents**	2.05 cents

Condensed Consolidated Balance Sheet

For the six months ended September 30, 2005

	Notes	**September 30, 2005 *HK$'000* (unaudited)**	March 31, 2005 *HK$'000* (audited) (as restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**77,650**	77,650
Property, plant and equipment		**141,555**	143,545
Available-for-sale financial assets/Investment securities	*8*	**–**	–
Deferred tax assets		**5,117**	3,374
		224,322	224,569
Current assets			
Inventories		**77,541**	82,705
Trade and other receivables	*9*	**81,134**	54,629
Financial assets at fair value through profit or loss/Other investments		**9,907**	8,422
Bank balances and cash		**238,774**	229,350
		407,356	375,106
Current liabilities			
Trade and other payables	*10*	**32,986**	30,555
Taxation		**8,338**	1,661
		41,324	32,216
Net current assets		**366,032**	342,890
Total assets less current liabilities		**590,354**	567,459
Non-current liabilities			
Amount due to immediate holding company		**53**	2,245
Deferred tax liabilities		**9,335**	9,104
		9,388	11,349
Net Assets		**580,966**	556,110
CAPITAL AND RESERVES			
Share capital	*11*	**100,074**	90,977
Reserves		**480,892**	465,133
		580,966	556,110

Consolidated Statement of Changes in Equity

For the six months ended September 30, 2005

	Share capital *HK$'000*	Share premium *HK$'000*	Other non-distributable reserve *HK$'000*	Merger reserve *HK$'000*	Investment property revaluation reserve *HK$'000*	Other property revaluation reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated profits *HK$'000*	Total *HK$'000*
Balance at April 1, 2004									
As previously reported	82,706	68,209	2,001	(200)	38,623	8,074	4,542	285,475	489,430
Prior period adjustment arising from changes in accounting policies									
– HKAS 40 *(note 2(c))*	–	–	–	–	(38,623)	–	–	38,623	–
– HKAS-INT 21 *(note 2(d))*	–	–	–	–	–	–	–	2,332	2,332
As restated	82,706	68,209	2,001	(200)	–	8,074	4,542	326,430	491,762
Exchange differences arising from translation of financial statements of overseas operations	–	–	–	–	–	–	66	–	66
Net gain not recognized in the income statement	–	–	–	–	–	–	66	–	66
Capitalization on bonus issue of shares	8,271	(8,271)	–	–	–	–	–	–	–
Release on depreciation of leasehold land and buildings	–	–	–	–	–	(129)	–	129	–
Net profit for the period	–	–	–	–	–	–	–	20,531	20,531
Balance at September 30, 2004 (unaudited)	90,977	59,938	2,001	(200)	–	7,945	4,608	347,090	512,359
Revaluation increase on leasehold land and buildings	–	–	–	–	–	19,147	–	–	19,147
Deferred tax liability arising on revaluation of properties	–	–	–	–	–	(2,267)	–	–	(2,267)
Exchange differences arising from translation of financial statements of overseas operations	–	–	–	–	–	–	(45)	–	(45)
Net gains not recognized in the income statement	–	–	–	–	–	16,880	(45)	–	16,835
Release on depreciation of leasehold land and buildings	–	–	–	–	–	(218)	–	218	–
Net profit for the period	–	–	–	–	–	–	–	26,916	26,916
Balance at March 31, 2005 (audited)	**90,977**	**59,938**	**2,001**	**(200)**	**–**	**24,607**	**4,563**	**374,224**	**556,110**

Consolidated Statement of Changes in Equity (Continued)
For the six months ended September 30, 2005

	Share capital	Share premium	Other non-distributable reserve	Merger reserve	Investment property revaluation reserve	Other property revaluation reserve	Translation reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at March 31, 2005 (audited)	**90,977**	**59,938**	**2,001**	**(200)**	**–**	**24,607**	**4,563**	**374,224**	**556,110**
Exchange differences arising from translation of financial statements of overseas operations	–	–	–	–	–	–	1,011	–	1,011
Net gain not recognized in the income statement	–	–	–	–	–	–	1,011	–	1,011
Capitalization on bonus issue of shares	9,097	(9,097)	–	–	–	–	–	–	–
Release on depreciation of leasehold land and buildings	–	–	–	–	–	(484)	–	484	–
Net profit for the period	–	–	–	–	–	–	–	23,845	23,845
Balance at September 30, 2005 (unaudited)	**100,074**	**50,841**	**2,001**	**(200)**	**–**	**24,123**	**5,574**	**398,553**	**580,966**

Other non-distributable reserve was arising from the repurchase of shares by subsidiaries under the corporate reorganization in 1997.

The merger reserve represents the differences between the nominal value of shares subsidiaries acquired, and the nominal value of the Company's shares issued for the acquisition under the corporate reorganization in 1997.

Condensed Consolidated Cash Flow Statement

For the six months ended September 30, 2005

	For the six months ended September 30,	
	2005	2004
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash from operating activities	**10,048**	48,540
Net cash from investing activities	**1,393**	58,401
Net cash used in financing activities	**(2,192)**	(4,328)
Net increase in cash and cash equivalents	**9,249**	102,613
Cash and cash equivalents at beginning of the period	**229,350**	90,451
Effect of foreign exchange rate changes	**175**	6
Cash and cash equivalents at end of the period, represented by bank balances and cash	**238,774**	193,070

Notes to the Condensed Financial Statements

For the six months ended September 30, 2005

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"), the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. ACCOUNTING POLICIES

The accounting policies adopted in these interim 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 these interim 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 interim 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 these unaudited condensed consolidated interim 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 Decommissing, 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 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, wholesale and retail distribution of pearls and jewelry products

Property investment – Leasing of properties

Segment information about these businesses is presented below:

Six months ended September 30, 2005 (unaudited)

	Pearls *HK$'000*	**Property investment** *HK$'000*	**Consolidated** *HK$'000*
Revenue			
External sales or rentals	**211,867**	**1,843**	**213,710**
Result			
Segment results	**27,111**	**(1,345)**	**25,766**
Unallocated other operating income			**4,679**
Unallocated corporate expenses			**(1,434)**
Profit from operations			**29,011**

Six months ended September 30, 2004 (unaudited)

	Pearls *HK$'000*	Property investment *HK$'000* (as restated)	Consolidated *HK$'000* (as restated)
Revenue			
External sales or rentals	207,061	2,879	209,940
Result			
Segment results	21,801	(1,440)	20,361
Unallocated other operating income			1,092
Unallocated corporate expenses			(1,947)
Profit from operations			19,506

4. PROFIT BEFORE TAXATION

	For the six months ended September 30,	
	2005	2004
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
(a) Finance costs		
Interest on bank borrowings wholly repayable within 5 years	**–**	78
(b) Other items		
Costs of inventories	**153,260**	147,691
Depreciation and amortization of property, plant & equipment	**3,536**	3,400
Staff costs and related expenses (including directors' emoluments)	**15,873**	16,557

5. TAXATION

	For the six months ended September 30,	
	2005	2004
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(as restated)
Current tax:		
– Hong Kong	**6,678**	5,836
– People's Republic of China, other than Hong Kong (the "PRC")	**–**	(452)
	6,678	5,384
Deferred tax:		
– Current period	**(1,512)**	(6,487)
	5,166	(1,103)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended September 30, 2005 and September 30, 2004. Income tax in the PRC is calculated at the rate of 15% of the income of the PRC subsidiaries for both periods.

6. DIVIDEND

The directors do not recommend the payment of an interim dividend (six months ended September 30, 2004: 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$23,845,000 (six months ended September 30, 2004: HK$20,531,000) and on 1,000,740,000 (six months ended September 30, 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	5.38
Adjustment arising from the bonus issue	(0.49)
Adjustment arising from the adoption of HKAS 40	(3.34)
Adjustment arising from the adoption of HKAS-INT 21	0.50
Restated figure	2.05

No diluted earnings per share has been presented for both periods because there are no dilutive potential ordinary shares in issue for the six months ended September 30, 2005 and September 30, 2004.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS/INVESTMENT SECURITIES

	September 30, 2005 ***HK$'000*** **(unaudited)**	March 31, 2005 *HK$'000* (audited)
Unlisted investments in the PRC, at cost	**5,586**	5,586
Impairment loss	**(5,586)**	(5,586)
	–	–

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$71,878,000 (March 31, 2005: HK$47,450,000) and their aged analysis after credit period is as follows:

	September 30, 2005 ***HK$'000*** **(unaudited)**	March 31, 2005 *HK$'000* (audited)
0 – 60 days	**71,878**	46,595
61 – 120 days	**–**	855
	71,878	47,450

10. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$12,156,000 (March 31, 2005: HK$8,588,000) and their aged analysis after credit period is as follows:

	September 30, 2005 HK$'000 (unaudited)	March 31, 2005 HK$'000 (audited)
0 – 60 days	**11,599**	8,270
61 – 120 days	**343**	315
>120 days	**214**	3
	12,156	8,588

11. SHARE CAPITAL

	Ordinary shares of HK$0.10 each	
	No. of shares '000	HK$'000
Authorised:		
At April 1, 2005 and September 30, 2005	1,500,000	150,000
Issued and fully paid:		
At April 1, 2005	909,764	90,977
Bonus issue of share *(Note)*	90,976	9,097
At September 30, 2005	1,000,740	100,074

Note: Pursuant to the annual general meeting held on August 1, 2005, a bonus issue of shares on the basis of one share for every ten shares held was approved. 90,976,000 bonus shares were issued and the amount HK$9,097,000 was capitalized from the Company's share premium account.

The bonus shares were credited as fully paid and rank pari passu with the then existing shares in all respects.

12. CAPITAL COMMITMENT

	September 30, 2005 HK$'000 (unaudited)	March 31, 2005 HK$'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	**2,589**	3,568

13. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the period ended September 30, 2005, Messrs. Yuen & Partners received professional fees of HK$82,000 (six months ended September 30, 2004: HK$217,000) for the provision of legal and professional services to the Group. Mr. Yuen Ka Lok, Ernest, the Chairman of Audit Committee and an independent non-executive director of Man Sang Holdings, Inc., an intermediate holding company of the Company, is a partner of Yuen & Partners.

During the period ended September 30, 2005, the Group sold jewelry products amounting to HK$293,000 (six months ended September 30, 2004: HK$73,000) to China South International Industrial Materials City (Shenzhen) Co., Ltd. ("CSII"), a company in which Messrs. Cheng Chung Hing and Cheng Tai Po, the directors of the Company, have beneficial interests.

In addition, during the period ended September 30, 2005, a motor vehicle was disposed to CSII at net book value of HK$914,000 and rental charges paid to CSII during the period amounting to HK$38,000 (six months ended September 30, 2004: HK$Nil).

During the period ended September 30, 2005, a reimbursement amounting to HK$98,000 (six months ended September 30, 2004: HK$84,000) was received from CSII for the salaries of staff who have provided services to CSII during the period.

The above transactions were carried out based on terms agreed by the relevant parties to the transactions.

(b) Compensation of key management personnel of the Group

	For the six months ended September 30,	
	2005	2004
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term employment benefits	**4,782**	4,829
Post-employment benefits	**32**	36
Total compensation paid to key management personnel	**4,814**	4,865

Save as disclosed in the financial statements, there were no significant related party transactions.

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, 2005 (six months ended September 30, 2004: Nil).

Business Review and Prospects

For the six months ended September 30, 2005, the Group recorded a turnover of approximately HK$211.9 million, representing an increase of 2.3% as compared to the same period last year. Profit attributable to shareholders was approximately HK$23.8 million, representing an increase of 16.1% after restatement of last year's profit to HK$20.5 million. The HK$33.4 million gain on disposal of an investment property booked in the second quarter last year was restated due to the change in accounting standard.

The increase in the Group's turnover is due to the increase in the sales of freshwater pearls, freshwater pearl finished products as well as South Sea pearls. We are continuing to adjust our sales and marketing strategies to meet market demand. Among all types of pearls, South Sea pearls including white and gold South Sea pearls and Tahitian black pearls now comprise 46.3% of the Group's total turnover. On the finished products side, the Group recorded a positive growth in its performance, especially on the pearl jewelry products.

Gross profit margin has slightly decreased from 28.7% to 27.7% when compared to the same period last year. This is mainly due to the flexible pricing strategy on the Group's South Sea pearls products in boosting its sales.

Selling and administration expenses decreased by 17.6% when compared to the same period last year because the provision made for doubtful debt was lower than last year.

The Group has responded to the latest market conditions in order to meet the market trend and customers' taste and preferences. By adopting flexible marketing strategies, diversified promotion activities, as well as rendering custom-made services, the Group is confident that it can further expand its customer base and business.

To further expand market share of pearls and non-pearl jewelry finished products, the Group has re-aligned its resources to take advantage of its competitive strengths in pearls and non-pearl jewelry products to meet market demand. In addition, the Group continues to stream-line its operations to increase productivity and production efficiency on the back-end support side. Also, the Group has developed its own design teams to develop unique and innovative designs with a diversified range of products to suit different customers' taste and demand.

The Group expects the economy will continue to grow despite the adverse effects generated by higher oil prices, higher interest rates and the outbreak of avian flu. In addition, the Group expects to minimize adverse effects of these challenges by virtue of its solid experience in the industry and flexible marketing strategies. The Group is constantly modifying its business strategies and implementing stringent cost control measures to maintain its leading position in the industry.

Last but not the least, the Group will continue to evaluate investment opportunities in pursuing continuous growth and development. Attention is expected to be focused on potential investment opportunities in PRC due to its robust economic development. Looking ahead, we are confident in facing any future challenges and will continue to gear towards our business future.

Liquidity and Capital Resources

At September 30, 2005, the Group's total shareholders' funds amounted to HK$581.0 million, compared with HK$556.1 million at March 31, 2005. The Group's gearing ratio is zero with no outstanding debts at September 30, 2005 and March 31, 2005.

At September 30, 2005, the Group had a working capital of HK$366.0 million, which included a cash balance of HK$238.8 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$9.4 million and trade and other receivables by HK$26.5 million, but being offset by the decrease in inventories by HK$5.2 million and increase in taxation payable by HK$6.7 million.

The Group had available working capital facilities of HK$47.0 million in total with various banks at September 30, 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 September 30, 2005, the Group had a zero balance on each of these credit facilities.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

At September 30, 2005, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

(a) Ordinary shares of the Company

		Number of ordinary shares of HK$0.10 each held			Percentage of the issued share capital
Name of director	**Capacity**	**Direct interest**	**Deemed interest** *(Note)*	**Total interest**	**of the Company**
Mr. Cheng Chung Hing	Beneficial owner and interest of a controlled corporation	43,560,000	494,406,000	537,966,000	53.76%
Mr. Cheng Tai Po	Beneficial owner and interest of a controlled corporation	37,700,018	494,406,000	532,106,018	53.17%

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, a company which directly holds these 494,406,000 shares. Cafoong Limited indirectly holds a 100% equity interest in Man Sang International (B.V.I.) Limited through Man Sang Holdings, Inc. ("MSH"), in which Cafoong Limited holds 59.06% of the common stock and all the Series A preferred stock at September 30, 2005, which totally represent 72.71% of the voting rights of MSH. Messrs. Cheng Chung Hing and Messrs. Cheng Tai Po own 60% and 40% of the issued share capital of Cafoong Limited, respectively.

(b) Share options of the Company

No options have been granted under the Company's share option scheme which was adopted on August 2, 2002.

(c) Common stock in an associated corporation – MSH

Name of director	Capacity	Numbers of shares of common stock of US$0.001 each in MSH held *(Notes i & ii)*	Percentage of the common stock of MSH
Mr. Cheng Chung Hing	Held by a controlled corporation	3,437,501	59.06%
Mr. Cheng Tai Po	Held by a controlled corporation	3,437,501	59.06%

Note i: These shares were directly and indirectly owned by Cafoong Limited, a company incorporated in the British Virgin Islands. Cafoong Limited holds 59.06% of the common stock and all the Series A preferred stock of MSH at September 30, 2005, which totally represent 72.71% of the voting rights of MSH. Messrs. Cheng Chung Hing and Messrs. Cheng Tai Po owned 60% and 40% of the issued share capital of Cafoong Limited, respectively.

Note ii: On July 22, 2005, the Board of MSH approved a five-for-four stock split of the common stock, par value US$0.001, effected in the form of a stock dividend for stockholders of record on July 22, 2005. As a result, the number of common stock held were adjusted accordingly.

(d) Stock options of an associated corporation – MSH

Name of director	Capacity	Date of grant	Number of stock options of MSH held as at April 1, 2005 *(Note 1)*	Exercised during the period	Effect of a five-for-four stock split of MSH common stock *(Note 2)*	Number of stock options of MSH held as at September 30, 2005	Number of underlying shares as at September 30, 2005
Mr. Cheng Chung Hing	Beneficial owner	September 16, 1997	100,000	–	25,000	125,000	125,000
		March 26, 2003	150,000	–	37,500	187,500	187,500
Mr. Cheng Tai Po	Beneficial owner	September 16, 1997	100,000	–	25,000	125,000	125,000
		March 26, 2003	100,000	–	25,000	125,000	125,000
Ms. Yan Sau Man, Amy	Beneficial owner	September 16, 1997	100,000	100,000	–	–	–

Note 1: The stock options were granted under the stock option plan of MSH adopted on October 17, 1996 and entitle the holders thereof to subscribe for shares of common stock of US$0.001 each in MSH. For stock options granted on September 16, 1997, the holders can subscribe for the shares of common stock at a subscription price of US$1.22 per share. 50% of the granted stock options vested and became exercisable on September 16, 1998 and the remainder vested and became exercisable on September 16, 1999. The options expire on September 15, 2007. For stock options granted on March 26, 2003, the holders can subscribe for the shares of common stock at a subscription price of US$1.10 per share, 50% of which vested and became exercisable on March 26, 2004, and the remainder vest and become exercisable on March 26, 2005. The options expire on March 25, 2013.

Note 2: On July 22, 2005, the Board of MSH approved a five-for-four stock split of the common stock, par value US$0.001, effected in the form of a stock dividend for stockholders of record on July 22, 2005. As a result, the number of stock options held were adjusted accordingly.

All interests stated above represent long positions.

Save as disclosed above and certain nominee shares in subsidiaries held by certain directors in trust for the Group, none of the directors nor their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at September 30, 2005.

Substantial Shareholders

At September 30, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed under the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in respect of certain directors, the following shareholders had notified the Company of relevant interests in the share capital of the Company:

		Number of shares held		Percentage of issued share capital of the Company	
Name of shareholder	**Capacity**	**Direct interest**	**Deemed interest**		*Notes*
Man Sang International (B.V.I.) Limited	Beneficial owner	494,406,000	–	49.40%	
MSH	Held by a controlled corporation	–	494,406,000	49.40%	*1*
Cafoong Limited	Held by a controlled corporation	–	494,406,000	49.40%	*2*
Guangdong Development Bank Shenzhen Branch	Beneficial owner	100,631,402	–	10.06%	

Note 1: This represented the deemed interest in 494,406,000 shares in the Company held by Man Sang International (B.V.I.) Limited which is a wholly-owned subsidiary of MSH.

Note 2: This represented the deemed interest in 494,406,000 shares in the Company held by Man Sang International (B.V.I.) Limited whereby Cafoong Limited holds 59.06% of the common stock and all of the Series A preferred stock of MSH at September 30, 2005, which represent 72.71% of the voting rights.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the Company's issued share capital at September 30, 2005.

Purchase, Redemption or Sale of the Company's Listed Securities

During the six months ended September 30, 2005, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

Corporate Governance

The Company has complied with the code provisions of the Code of Corporate Governance Practices (the "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") throughout the six months ended September 30, 2005, 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 brief 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 designate another person as the chief executive officer of the Company.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Following enquiry by the Company, all directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended September 30, 2005.

Audit Committee

The audit committee has reviewed together with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters. The interim results for the six months ended September 30, 2005 are unaudited, but have been reviewed by Moores Rowland Mazars in accordance with Statement of Auditing Standards 700 "Engagement to review interim financial reports". The interim financial report has been reviewed by the audit committee.

On behalf of the Board
CHENG CHUNG HING
Chairman

Hong Kong, November 14, 2005