



## **MAN SANG HOLDINGS, INC.**

FOR IMMEDIATE RELEASE

### **MAN SANG HOLDINGS, INC. ANNOUNCES FINANCIAL RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005**

NEW YORK--(BUSINESS WIRE) — November 14, 2005 -- Man Sang Holdings, Inc. (the "Company") (AMEX: MHJ) announced today its financial results for the six months ended September 30, 2005.

Net sales for six months ended September 30, 2005 increased by 2.3% to HK\$211.9 million (US\$ 27.2 million) as compared to the same period in 2004. The increase in sales was mainly contributed by the increase in sales of freshwater pearls, freshwater pearl finished products as well as South Sea pearls.

Gross profit for the six months ended September 30, 2005 decreased by HK\$0.8 million (US\$ 0.1 million), or 1.3%, to HK\$58.6 million (US\$ 7.5 million) as compared to gross profit of HK\$59.4 million (US\$ 7.6 million) for the same period last year. Gross profit margin has slightly decreased from 28.7% to 27.7%, which was mainly due to the flexible pricing strategy on the Company's South Sea pearls products in boosting its sales.

Net income for the six months ended September 30, 2005 was HK\$8.7 million (US\$ 1.1 million), as compared to net income of HK\$21.0 million (US\$ 2.7 million) for the same period in 2004, representing a decrease of 58.5%. The decrease in net income was caused by the effect of the HK\$34.2 million (US\$ 4.4 million) gain on disposing a real estate property booked in the same period last year, which did not recur during this fiscal period. Excluding the effect of this one-time gain last year, the net income had in fact increased by 112.3% when compared to the same period last year.

South Sea pearls (including white and gold South Sea pearls and Tahitian black pearls) comprise approximately of 46.3% of the Company's total net sales. South Sea pearls at present are very popular among international fashion designers in their jewelry designs and the Company expects this trend to continue in the coming quarters. On the jewelry products side, the Company has been exploring potential customers and has also further expanded its marketing and distribution network through attending international trade shows and exhibitions and engaging in marketing campaigns and advertising. At the same time, the Company has strengthened its production capabilities and product quality, and has built-up its own design team offering unique and wider range of product designs to customers.

"Looking forward, we expect that the economy will continue to grow despite adverse effects that may be generated by higher oil prices, higher interest rates and outbreak of avian flu or other epidemics. We are closely monitoring the market and will continue to respond efficiently to meet our customers' preferences and demands. We believe that offering the right product

and service mix to our customers will bring about the best results to our operations. In addition, through further strengthening our core pearl business, expanding assembled jewelry in our product mix, adopting flexible marketing and pricing strategies as well as implementing effective cost controls measures, we aim to achieve better results in future,” added by Mr. Cheng Chung Hing, Chairman of the Man Sang Group.

“The Company will continue to evaluate investment opportunities in pursuing growth and development. We expect to focus on potential investment opportunities in the PRC due to its robust economic development. We are confident in facing future challenges,” concluded by Mr. Cheng.

### **About Man Sang Holdings, Inc.**

Man Sang Holdings, Inc. and its subsidiaries (together the “Man Sang Group”) are one of the world's largest purchasers and processors of Chinese cultured and freshwater pearls. The Man Sang Group is principally engaged in the purchasing, processing, assembling, merchandising and wholesale distribution of pearls, pearl jewelry and other jewelry products. In addition, the Man Sang Group owns and operates the Man Sang Industrial City, an industrial complex, located in Gong Ming Zhen, Shenzhen Special Economic Zone, PRC.

\* The consolidated financial statements of the Company are maintained, and its consolidated financial statements are expressed, in Hong Kong dollars. The conversion of Hong Kong dollar into United States dollars is for convenience only and has been made at the rate of HK\$7.8 to US\$1, the approximate free rate of exchange as at September 30, 2005. Such conversion should not be construed as representations that the Hong Kong dollar amounts could be converted into United States dollars at that rate or any other rate.

*This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are, by their nature, subject to risks and uncertainties. This Act provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward-looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements, including statements regarding industry prospects and future results of operations or financial position, made in this press release are forward-looking. Words such as “anticipates,” “believes,” “expects,” “future” and “intends” and similar expressions may identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to: the Company's future performance, the Company's expansion efforts, the state of economic conditions and the Company's market. These forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes to be appropriate in particular circumstances. However, whether actual results and developments will meet the Company's expectations and predictions depend on a number of known and unknown risks and uncertainties and other factors, any or all of which could cause actual results, performance or achievements to differ materially from the Company's expectations, whether expressed or implied by such forward-looking statements (which may relate to, among other things, the Company's sales, costs and expenses, income, inventory performance, and receivables). Primarily engaged in the processing and trading of pearls and pearl jewelry products, and in real estate investment, the Company's ability to achieve its objectives and expectations are derived at least in part from assumptions regarding economic conditions, consumer tastes, and developments in its competitive environment. The following assumptions, among others, could materially affect the likelihood that the Company will achieve its objectives and expectations communicated through these forward-looking statements: (i) that low or negative growth in the economies or the financial markets of its customers, particularly in the United States and in Europe, will not occur and reduce discretionary spending on goods that might be perceived as “luxuries”; (ii) that the Hong Kong dollar will remain pegged to the US dollar at US\$1 to HK\$7.8;*

*(iii) that customer's choice of pearls vis-à-vis other precious stones and metals will not change adversely; (iv) that the Company will continue to obtain a stable supply of pearls in the quantities, of the quality and on terms required by the Company; (v) that there will not be a substantial adverse change in the exchange relationship between the renminbi ("RMB") and the Hong Kong or US dollar; (vi) that there will not be substantial increase in tax burden of subsidiaries of the Company operating in the PRC; (vii) that there will not be substantial change in climate and environmental conditions at the source regions of pearls that could have material effect on the supply and pricing of pearls; and (viii) that there will not be substantial adverse change in the real estate market conditions in the PRC and in Hong Kong. This press release should be read in conjunction with the financial statements and the notes thereto included elsewhere in this Form 10-Q and with the Company's annual report on Form 10-K for the year ended March 31, 2005. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. The Company will not publicly release any revisions to these forward-looking statements after the date hereof. Readers are urged, however, to review the factors set forth in reports that the Company files from time to time with the Securities and Exchange Commission.*

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- TABLES TO FOLLOW -

**MAN SANG HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)**  
**FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30**

(Amounts expressed in thousands except share data)

	<u>Three Months Ended September 30,</u>			<u>Six Months Ended September 30,</u>		
	<u>2005</u>		<u>2004</u>	<u>2005</u>		<u>2004</u>
	US\$	HK\$	HK\$	US\$	HK\$	HK\$
Net sales	13,809	107,709	107,983	27,163	211,867	207,061
Cost of goods sold	<u>(10,105)</u>	<u>(78,819)</u>	<u>(76,098)</u>	<u>(19,649)</u>	<u>(153,260)</u>	<u>(147,691)</u>
Gross profit	3,704	28,890	31,885	7,514	58,607	59,370
Rental income, gross	<u>120</u>	<u>938</u>	<u>1,301</u>	<u>236</u>	<u>1,843</u>	<u>2,879</u>
	3,824	29,828	33,186	7,750	60,450	62,249
Selling, general and administrative expenses						
- Pearls	(2,155)	(16,807)	(25,037)	(4,491)	(35,028)	(42,299)
- Real estate investment	<u>(265)</u>	<u>(2,068)</u>	<u>(3,836)</u>	<u>(486)</u>	<u>(3,789)</u>	<u>(5,339)</u>
Operating income	1,404	10,953	4,313	2,773	21,633	14,611
Non-operating items						
- Interest expense	-	-	(40)	-	-	(78)
- Interest income	191	1,485	110	325	2,530	169
- Gain on sales of a real estate investment	-	-	34,248	-	-	34,248
- Other income	<u>47</u>	<u>369</u>	<u>188</u>	<u>105</u>	<u>821</u>	<u>835</u>
Income before income taxes and minority interests	1,642	12,807	38,819	3,203	24,984	49,785
Income taxes	<u>(358)</u>	<u>(2,787)</u>	<u>(1,873)</u>	<u>(625)</u>	<u>(4,874)</u>	<u>(4,340)</u>
Income before minority interests	1,284	10,020	36,946	2,578	20,110	45,445
Minority interests	<u>(733)</u>	<u>(5,719)</u>	<u>(19,666)</u>	<u>(1,458)</u>	<u>(11,374)</u>	<u>(24,412)</u>
Net income	551	4,301	17,280	1,120	8,736	21,033
Other comprehensive income, net of taxes and minority interests						
- Foreign currency translation adjustments	55	430	(6)	53	424	29
- Unrealized holding gain on marketable securities	63	489	265	94	734	57

Other comprehensive income, net of taxes and minority interests	<u>118</u>	<u>919</u>	<u>259</u>	<u>147</u>	<u>1,158</u>	<u>86</u>
Comprehensive income	<u>669</u>	<u>5,220</u>	<u>17,539</u>	<u>1,267</u>	<u>9,894</u>	<u>21,119</u>
Basic earnings per common share	<u>0.09</u>	<u>0.73</u>	<u>3.08</u>	<u>0.19</u>	<u>1.49</u>	<u>3.75</u>
Diluted earnings per common share	<u>0.09</u>	<u>0.67</u>	<u>2.80</u>	<u>0.18</u>	<u>1.37</u>	<u>3.41</u>
Weighted average number of shares of common stock						
- for basic earnings per share	<u>5,813,289</u>	<u>5,813,289</u>	<u>5,507,450</u>	<u>5,744,262</u>	<u>5,744,262</u>	<u>5,507,450</u>
- for diluted earnings per share	<u>6,286,875</u>	<u>6,286,875</u>	<u>6,057,869</u>	<u>6,277,575</u>	<u>6,277,575</u>	<u>6,058,653</u>

- TABLES TO FOLLOW -

**MAN SANG HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Amounts expressed in thousands except share data)

	<u>September 30, 2005</u>		<u>March 31, 2005</u>
	US\$	HK\$	HK\$
	(Unaudited)		
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents	32,658	254,730	243,297
Marketable securities	1,270	9,907	8,422
Accounts receivable, net of allowance for doubtful accounts of HK\$23,903 as of September 30, 2005 and HK\$22,807 as of March 31, 2005	9,215	71,878	47,450
Inventories :			
Raw materials	2,053	16,013	18,037
Work in progress	681	5,313	14,520
Finished goods	7,207	56,215	50,148
	<u>9,941</u>	<u>77,541</u>	<u>82,705</u>
Prepaid expenses	548	4,276	4,489
Deposits and other receivables, net of allowance for doubtful accounts of HK\$3,721 as of September 30, 2005 and March 31, 2005	1,151	8,977	5,349
Other current assets	28	217	382
Income tax receivable	88	684	684
Total current assets	<u>54,899</u>	<u>428,210</u>	<u>392,778</u>
Deferred tax assets	202	1,572	258
Property, plant and equipment	21,091	164,508	163,147
Accumulated depreciation	(6,035)	(47,062)	(44,086)
	<u>15,056</u>	<u>117,446</u>	<u>119,061</u>
Real estate investment	7,451	58,117	58,117
Accumulated depreciation	(1,496)	(11,672)	(10,973)
	<u>5,955</u>	<u>46,445</u>	<u>47,144</u>
Total assets	<u><u>76,112</u></u>	<u><u>593,673</u></u>	<u><u>559,241</u></u>

**MAN SANG HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS - continued**

(Amounts expressed in thousands except share data)

	<b>September 30, 2005</b>		<b>March 31, 2005</b>
	<b>US\$</b>	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>		
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>			
Current liabilities:			
Accounts payable	1,558	12,156	8,588
Accrued payroll and employee benefits	1,500	11,698	11,958
Other accrued liabilities	1,313	10,245	10,617
Income taxes payable	1,444	11,265	4,587
Total current liabilities	5,815	45,364	35,750
Deferred tax liabilities	215	1,674	1,213
Minority interests	34,631	270,122	257,562
Stockholders' equity:			
Series A preferred stock, par value US\$0.001	-	1	1
- authorized, issued and outstanding: 100,000 shares;			
(entitled in liquidation to US\$2,500 (HK\$19,500))			
Series B convertible preferred stock, par value US\$0.001	-	-	-
- authorized: 100,000 shares; no shares outstanding			
Common stock, par value US\$0.001	6	36	35
- authorized: 31,250,000 shares; issued and outstanding: 5,820,082 shares and 5,569,950 shares as of September 30, 2005 and March 31, 2005			
Additional paid-in capital	8,149	63,563	61,660
Retained earnings	26,729	208,488	199,752
Accumulated other comprehensive income	567	4,425	3,268
Total stockholders' equity	35,451	276,513	264,716
Total liabilities and stockholders' equity	76,112	593,673	559,241

- TABLES TO FOLLOW -

**MAN SANG HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30**

(Amounts expressed in thousands)

	<u>Six Months Ended September 30,</u>		
	<u>2005</u>		<u>2004</u>
	<u>US\$</u>	<u>HK\$</u>	<u>HK\$</u>
<b>Cash flow from operating activities:</b>			
Net income	1,120	8,736	21,033
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for doubtful debts	192	1,500	7,580
Inventory write down	1,897	14,800	14,200
Impairment loss on long term investment	-	-	856
Compensation expense	-	-	66
Depreciation and amortization	475	3,707	4,361
Gain on disposal of real estate investment	-	-	(34,248)
Gain on disposal of property, plant and equipment	-	-	(20)
Minority interests	1,458	11,374	24,412
Changes in operating assets and liabilities:			
Accounts receivable	(3,297)	(25,718)	(8,189)
Inventories	(1,183)	(9,228)	5,230
Prepaid expenses	28	215	44
Deposits and other receivables	(461)	(3,596)	3,545
Other current assets	21	165	4,991
Income taxes receivable	-	-	(88)
Deferred tax assets	(168)	(1,314)	174
Accounts payable	449	3,501	(3,585)
Accrued payroll and employee benefits	(35)	(271)	1,897
Other accrued liabilities	(55)	(428)	32
Deferred tax liabilities	59	461	(483)
Income taxes payable	856	6,678	5,309
Net cash provided by operating activities	<u>1,356</u>	<u>10,582</u>	<u>47,117</u>
<b>Cash flow from investing activities:</b>			
Purchase of property, plant and equipment	(275)	(2,142)	(6,586)
Proceeds from disposal of property, plant and equipment	117	914	204
Proceeds from disposal of real estate investment	-	-	64,450
Net cash (used in) provided by investing activities	<u>(158)</u>	<u>(1,228)</u>	<u>58,068</u>
<b>Cash flow from financing activities:</b>			
Repayment of long-term debts			(2,787)



	-	-	
Net proceeds from issuance of common stock	244	1,904	-
Net cash provided by (used in) financing activities	<u>244</u>	<u>1,904</u>	<u>(2,787)</u>
Net increase in cash and cash equivalents	1,442	11,258	102,398
Cash and cash equivalents at beginning of period	31,192	243,297	104,907
Exchange adjustments	<u>24</u>	<u>175</u>	<u>6</u>
Cash and cash equivalents at end of period	<u><u>32,658</u></u>	<u><u>254,730</u></u>	<u><u>207,311</u></u>

**Supplementary disclosures of cash flow information**

Cash paid during the period for:

Interest and financing charges	<u>-</u>	<u>-</u>	<u>76</u>
Net income taxes paid	<u>-</u>	<u>-</u>	<u>163</u>

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