MAN SANG JEWELLERY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1466)

Website: http://www.mansangjewellery.com

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	For the year ended 31 March		Decrease	
	2016	2015		
	HK$'000	*HK$'000*	*HK$'000*	*Percentage*
Revenue	**210,019**	270,709	60,690	22.4%
Gross profit	**59,196**	108,028	48,832	45.2%
(Loss)/profit attributable to equity holders of the Company	**(10,940)**	10,056	20,996	208.8%

RESULTS

The board of directors (the "Directors" or the "Board") of Man Sang Jewellery Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2016, together with the comparative figures for the previous year, as follows:

Consolidated Income Statement
For the year ended 31 March

	Note	**2016** **HK$'000**	2015 *HK$'000*
Revenue	*4*	**210,019**	270,709
Cost of sales	*7*	**(150,823)**	(162,681)
Gross profit		**59,196**	108,028
Other (loss)/gains – net	*6*	**(1,397)**	813
Gain on disposal of subsidiaries	*6*	**9,943**	–
Selling expenses	*7*	**(9,294)**	(11,095)
Administrative expenses	*7*	**(69,010)**	(81,214)
Operating (loss)/profit		**(10,562)**	16,532
Finance income		**123**	517
Finance costs		**(419)**	(1,000)
Finance costs – net		**(296)**	(483)
(Loss)/profit before income tax		**(10,858)**	16,049
Income tax expense	*8*	**(82)**	(5,993)
(Loss)/profit for the year attributable to equity holders of the Company		**(10,940)**	10,056
(Loss)/earnings per share attributable to equity holders of the Company:			
Basic and diluted	*10*	**HK (4.05) cents**	3.78 HK cents

Details of dividend to the equity holders of the Company are set out in note 9 to this announcement.

Consolidated Statement of Comprehensive Income
For the year ended 31 March

	2016 *HK$'000*	2015 *HK$'000*
(Loss)/profit for the year	**(10,940)**	10,056
Other comprehensive (loss)/income:		
Item that may be reclassified to profit or loss		
Exchange difference on translation of foreign operations	**(1,052)**	–
Item that will not be subsequently reclassified to profit or loss		
Increase in fair value of leasehold land and building, net of deferred income tax	**3,686**	5,574
Other comprehensive income for the year, net of tax	**2,634**	5,574
Total comprehensive (loss)/income for the year, attributable to equity holders of the Company	**(8,306)**	15,630

Consolidated Balance Sheet
As at 31 March

	Note	**2016**	2015
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**5,075**	101,881
Prepayments	*11*	**3,534**	6,810
Deferred income tax assets		**1,090**	742
		9,699	109,433
Current assets			
Inventories		**102,491**	99,837
Trade and other receivables	*11*	**63,182**	72,738
Cash and cash equivalents		**163,931**	76,486
		329,604	249,061
Current liabilities			
Trade and other payables	*12*	**23,938**	29,386
Current income tax liabilities		**1,708**	4,015
Bank borrowing		**–**	45,200
		25,646	78,601
Net current assets		**303,958**	170,460
Total assets less current liabilities		**313,657**	279,893

Consolidated Balance Sheet – *Continued*
As at 31 March

	2016	2015
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred income tax liabilities	**–**	12,295
Net assets	**313,657**	267,598
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**3,195**	2,663
Reserves	**310,462**	264,935
Total equity	**313,657**	267,598

Notes:

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

Man Sang Jewellery Holdings Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products.

The Company is incorporated in the Cayman Islands on 13 May 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 October 2014.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the "Reorganisation") as described below, the pearls and jewellery business (the "Business") was principally conducted through Arcadia Jewellery Limited ("Arcadia HK"), Man Sang Jewellery Company Limited ("Man Sang HK") and Man Hing Industry Development (Shenzhen) Co., Ltd. ("MH SZ"), which are indirectly wholly owned subsidiaries of Man Sang International Limited ("MSIL").

In preparation for listing of the Company's Shares on the Stock Exchange, the Group underwent the Reorganisation to transfer the Business to the Company principally through the following steps:

(i) On 30 April 2014, MSIL transferred the entire issued share capital of Man Sang Innovations Limited to Arcadia Global Holdings Limited ("Arcadia BVI").

(ii) On 30 April 2014, Man Sang HK transferred the entire issued share capital of Arcadia HK to Arcadia Investment Holdings Limited.

(iii) On 30 April 2014, Man Sang HK entered into an agreement pursuant to which Man Sang HK assigned the relevant assets and liabilities of the Business to Man Sang Jewellery (Hong Kong) Limited.

(iv) On 30 April 2014, MH SZ entered into an agreement pursuant to which MH SZ assigned the relevant assets and liabilities of the Business to Hui Bao Feng Jewellery (Shenzhen) Limited ("HBF Jewellery").

(v) On 30 April 2014, Man Sang Development Company Limited, a wholly owned subsidiary of MSIL, transferred the entire issued share capital of Hong Kong Man Sang Investments Limited to Man Sang International Holdings Limited ("MS Holdings").

(vi) On 13 May 2014, the Company was incorporated in the Cayman Islands. A share was allotted and issued at par and subsequently transferred to MSIL, and the Company became a wholly-owned subsidiary of MSIL.

(vii) On 29 May 2014, MH SZ transferred the entire equity interest in Kasiao (Shenzhen) Jewellery Company Limited to HBF Jewellery.

(viii) On 17 June 2014, the Company subscribed the 1,500 issued share capital of MS Holdings and 1,000 issued share capital of Arcadia BVI.

(ix) On 17 June 2014, MS Holdings and Arcadia BVI repurchased the one share each issued to MSIL.

(x) On 10 October 2014, 266,321,063 shares were issued to MSIL by way of capitalising the amounts due from the Group to MSIL of approximately HK$283.1 million (the "Capitalisation Issue"). The Capitalisation Issue was made for the purpose of effecting the MSIL Distribution (as described in (xi) below) to MSIL.

(xi) On 16 October 2014, the Stock Exchange granted the listing of, and permission to deal in, the Company's share on the Main Board of the Stock Exchange. Consequently the condition for the special interim dividend declared by MSIL on 26 September 2014 for the purpose of the Reorganisation was satisfied by the Capitalisation Issue (the "MSIL Distribution") and the MSIL Distribution has accordingly been completed.

(xii) On 17 October 2014, the shares of the Company were listed on the Main Board of the Stock Exchange (the "Listing"). Following the Listing, the Company is no longer a subsidiary of MSIL.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of leasehold land and building, which is carried at fair value.

Pursuant to the Reorganisation as described in note 1.2, the Company became the holding company of the Group.

Immediately prior to the Reorganisation, the pearls and jewellery business was held by MSIL and operated mainly through three wholly owned subsidiaries of MSIL and pursuant to the Reorganisation, the pearls and jewellery business was transferred to and held by the Company in June 2014.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Amendments to existing standards and new interpretations effective for annual periods beginning 1 April 2015, relevant to the Group's operations and adopted by the Group:

Amendment to HKAS 19	Defined benefit plans
Amendment to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendment to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

The adoption of the above amendments to existing standards and new interpretations did not have any material impact on the preparation of the Group's financial statements.

(b) **New standards and amendments to existing standards which have been issued but are not effective for the financial year beginning on 1 April 2015 and have not been early adopted:**

		Effective for annual periods beginning on or after
Amendment to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendment to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Effective date not yet been determined
Amendment to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendment to HKAS 1	Disclosure initiative	1 January 2016
Amendment to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendment to HKAS 16 and HKAS 41	Agriculture: Bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016

The Group is assessing the impact of these new standards and amendments to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operation and financial position.

The Group intends to adopt the above new standards and amendments to existing standards when they become effective.

4. REVENUE

Revenue represents the amounts received and receivable from customers in respect of goods sold less returns and allowances.

The Group's revenue recognised during the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Sales of pearls and jewellery	**210,019**	270,709

5. SEGMENT INFORMATION

The Group's management reviews the Group's internal reporting in order to assess performance and allocated resources. They have determined the operating segments based on these reports. The Group is principally engaged in purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment — pearls and jewellery operating segment, and segment disclosures are not presented.

The Group operates its business in Hong Kong and places other than Hong Kong. The Group's revenue by geographical locations (as determined by the area or country in which the customer is located) is analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
Europe	**51,741**	74,841
North America	**68,722**	75,218
Asian countries (excluding Hong Kong)	**58,707**	76,952
Hong Kong	**25,217**	36,264
Others	**5,632**	7,434
	210,019	270,709

The following is an analysis of the carrying amounts of the Group's segment assets analysed by geographical location in which the assets are located:

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**309,071**	317,582
The People's Republic of China (the "PRC")	**30,232**	40,912
	339,303	358,494

Revenue from the transactions with one individual customer amounted to HK$30,597,000 was more than 10% of total revenue of the Group for the financial year ended 31 March 2016. This revenue was attributable to North America region.

Revenue from the transactions with two individual customers amounted to HK$30,321,000 and HK$28,525,000 were more than 10% of total revenue of the Group for the financial year ended 31 March 2015. These revenues were attributable to North America region and Europe region, respectively.

6. OTHER (LOSS)/GAINS – NET AND GAIN ON DISPOSAL OF SUBSIDIARIES

(a) Other (loss)/gains – net

	2016	2015
	HK$'000	*HK$'000*
Exchange losses	**(1,467)**	(767)
Loss on disposals of property, plant and equipment	**(6)**	(198)
Reversal of other payables	**–**	1,161
Others	**76**	617
	(1,397)	813

(b) Disposal of subsidiaries

The Group entered into an agreement with the Chairman and the ultimate controlling shareholder of the Group to dispose of the entire equity interest of Man Sang International Holdings Limited and Hong Kong Man Sang Investments Limited, both being the wholly owned subsidiaries of the Group, for a total consideration of HK$55,665,000 which was determined with reference to their financial positions as at 25 September 2015. The disposal was completed on 25 September 2015.

	Year ended 31 March 2016 *HK$'000*
Net assets disposed of:	
Property, plant and equipment	**101,351**
Cash and bank balances	**517**
Prepayments and other receivables	**73**
Accruals and other payables	**(9)**
Bank borrowing	**(44,200)**
Deferred tax liabilities	**(12,858)**
	44,874
Legal and professional fees for disposal of subsidiaries	**848**
Gain on disposal of subsidiaries	**9,943**
	55,665
Satisfied by:	
Cash	**55,665**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Year ended 31 March 2016 *HK$'000*
Cash consideration	**55,665**
Cash and bank balances disposed of	**(517)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**55,148**

7. EXPENSES BY NATURE

	2016 *HK$'000*	2015 *HK$'000*
Costs of inventories	**111,834**	133,822
Employee benefit expenses (including directors' emoluments)	**62,599**	61,560
Auditor's remuneration	**1,270**	1,180
Listing expenses	**145**	16,856
Depreciation of property, plant and equipment	**4,042**	5,998
Provision for/(reversal of provision for) impairment of trade receivables *(note 11)*	**2,907**	(81)
Provision for/(reversal of provision for) inventory obsolescence	**5,961**	(4,647)
Operating lease rental on rented premises	**11,543**	10,526
Exhibition	**5,268**	5,668
Commission and customers' designated payments	**1,440**	2,588
Others	**22,118**	21,520
Total cost of sales, selling and administrative expenses	**229,127**	254,990

8. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current income tax:		
Hong Kong profits tax	**1,285**	3,274
PRC corporate income tax	**233**	754
	1,518	4,028
(Over)/under-provision in prior year:		
Hong Kong profits tax	**(923)**	15
PRC corporate income tax	**–**	–
	(923)	15
Deferred income tax:		
Net (credit)/charge for current year	**(513)**	1,950
	82	5,993

Hong Kong profits tax

Hong Kong profits tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

PRC corporate income tax

In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance note, subsidiaries in the PRC are subject to PRC corporate income tax rate at 25% (2015: 25%).

Withholding tax on distributed/undistributed profits

The PRC tax law imposes a withholding tax at 10%, unless reduced by a tax treaty, for dividends distributed by PRC subsidiaries to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008.

Deferred income tax liabilities has not been recognised for withholding tax that would be payable on the unremitted retained earnings of certain PRC subsidiaries as the Company controls the dividend policies of these subsidiaries and it is not probable that these subsidiaries would distribute earnings in the foreseeable future.

9. DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2016 (2015: Nil).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
(Loss)/profit attributable to equity holders of the Company *(HK$'000)*	**(10,940)**	10,056
Weighted average number of shares for the purpose of calculating basic earnings per share *(thousands)*	**269,819**	266,321
Basic (loss)/earnings per share *(HK cents per share)*	**(4.05)**	3.78

There is no dilutive potential ordinary shares during the year ended 31 March 2016 (2015: Nil).

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 ***HK$'000***	2015 *HK$'000*
Trade receivables	**65,191**	70,168
Less: provision for impairment of trade receivables	**(11,543)**	(8,733)
Trade receivables — net	**53,648**	61,435
Other receivables, deposits and prepayments	**13,068**	18,113
Trade and other receivables, deposits and prepayments	**66,716**	79,548
Less: Non-current portion	**(3,534)**	(6,810)
Current portion	**63,182**	72,738

The Group grants a credit period of 30 days to 120 days to its customers. The carrying amounts of the trade and other receivables approximate their fair values as these financial assets, which are measured at amortised cost, are expected to be received within a short period of time, such that the impact of the time value of money impact is not significant.

At each balance sheet date, the recoverability of the Group's trade receivables due from individual customers are assessed based on the credit history of its customers, their financial conditions and current market conditions. Consequently, specific impairment provision is recognised.

The Group has provided fully for all receivables where recovery of the amounts is remote, unless the Group has determined that such balances are not recoverable, in which case the impairment loss is directly written off against the corresponding trade receivables. Based on past experience and the Group's assessment, management believes that no impairment provision is necessary in respect of the remaining balances as there had not been a significant change in credit quality of such receivables and the balances are considered fully recoverable.

Movements in the provision for impairment of trade receivables are as follows:

	2016	2015
	HK$'000	*HK$'000*
At beginning of the year	**8,733**	13,765
Provision for/(reversal of provision for) impairment losses	**2,907**	(81)
Amounts written off as uncollectible	**(97)**	(4,951)
At end of the year	**11,543**	8,733

Included in trade and other receivables, deposits and prepayments of the Group are trade receivables of HK$65,191,000 (2015: HK$70,168,000) and their ageing analysis based on due date is as follows:

	2016	2015
	HK$'000	*HK$'000*
Not past due	**13,255**	18,659
1 to 60 days past due	**16,094**	18,387
61 to 120 days past due	**5,348**	8,546
More than 120 days past due	**30,494**	24,576
	65,191	70,168

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

As of 31 March 2016, trade receivables of HK$40,393,000 (2015: HK$42,776,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality of these receivables and the balances are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	2016	2015
	HK$'000	*HK$'000*
1 to 60 days past due	**16,094**	18,387
61 to 120 days past due	**5,255**	8,107
More than 120 days past due	**19,044**	16,282
	40,393	42,776

As of 31 March 2016, trade receivables of HK$11,543,000 (2015: HK$8,733,000) were impaired and provided for. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. The ageing analysis of these receivables is as follows:

	2016	2015
	HK$'000	*HK$'000*
61 to 120 days past due	**93**	439
More than 120 days past due	**11,450**	8,294
	11,543	8,733

12. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**8,648**	4,216
Accrued payroll and other employee benefits	**7,471**	12,688
Other accruals and other payables	**7,819**	12,482
	23,938	29,386

The ageing analysis of trade payables based on invoice date is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 to 60 days	**4,019**	4,216
61 to 120 days	**1,285**	–
More than 120 days	**3,344**	–
	8,648	4,216

13. EVENT AFTER THE REPORTING PERIOD

On 11 April 2016, Mr. Chen Zhi Wei has tendered his resignation as an executive director but will remain as a procurement manager of the Group. Mr. Leung Alex has been appointed as an executive director of the Company on the same date.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 March 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 19 August 2016 to Tuesday, 23 August 2016 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 18 August 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Tuesday, 23 August 2016, notice of which will be published on the website of the Company (www.mansangjewellery.com) and the designated issuer website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk), and despatched to shareholders of the Company accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

The board of directors (the "Board") of Man Sang Jewellery Holdings Limited (the "Company") is pleased to report the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2016 ("FY16"). During FY16, the consolidated loss attributable to equity holders of the Company was HK$10.9 million (year ended 31 March 2015 ("FY15"): profit of HK$10.1 million), representing a decrease of 209% as compared with that in FY15. Basic loss per share was 4.05 HK cents (FY15: earnings of 3.78 HK cents), representing a decrease of 207% as compared with that in FY15.

Business Review

During the year, the downturn of global economy, especially in Europe and several Asia countries which are key markets we operate, has reduced the demand for pearl and jewellery products. The revenue generated from customers in these regions reduced in the year.

The Group has established a prestigious showroom (the "VIP showroom") in our headquarters in Hong Kong to showcase and to demonstrate our fine jewellery to target high-end boutique retailers and wealthy individuals in or visiting Hong Kong through connections established via major trade shows and exhibitions and personal connections of our sales and management team. There was also a weakening consumption sentiment in the PRC and Hong Kong which has an impact on the sales contribution from the VIP showroom (FY16: HK$14.4 million, FY15: HK$21.2 million) during the year.

To strengthen our financial position and reduce operating expenses, the Group has disposed of two wholly-owned subsidiaries, which provide residence to our Chairman, for a cash consideration of HK$55.7 million during the year (the "Disposal"). The Disposal has been completed in September 2015.

The Group has expanded to designing, processing and wholesale distributing diamond and gemstones jewellery by establishment of two new subsidiaries (each in Hong Kong and Panyu) with a new team of sales executives, designers and goldsmiths, whose efforts will focus on exploring new markets to expand the Group's clientele in the People's Republic of China (the "PRC") and overseas. The two newly established subsidiaries contributed revenue of HK$9.4 million during the year. However, they recorded a loss of HK$6.1 million during the year because the new team is in early operating stage with a higher set up cost. The Group has also entered into a cooperation agreement with a renowned gold jeweler to expand its sales of pearl jewellery in Shenzhen.

The continuous surge in the operating expenses in the PRC including but not limited to wages and material costs has an adverse impact on our profit margin. The Group is implementing cost control measures to maintain its competitiveness in the market. As part of the reorganisation in April 2014, the operations of two of the factories have been transferred to a wholly-owned subsidiary of the Group in the PRC. During the year, the Group has transferred the operation of the remaining factory to that wholly-owned subsidiary.

Financial Review

The Group currently is principally engaged in purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products.

Revenue and Gross Profit

Revenue reduced during the year (FY16: HK$210.0 million; FY15: HK$270.7 million). With the increasing market competition and challenging macroeconomic conditions, the Group has recorded a decline in sales in Europe, North America and Asian countries.

Gross profit decreased by HK$48.8 million or 45.2% to HK$59.2 million (FY15: HK$108.0 million). The decrease was mainly due to a decrease in gross profit margin during FY16 (FY16: 28.2%; FY15: 39.9%). The decrease in gross profit margin was mainly attributable to the deeper discount offered to customers, the increase in labour cost in our manufacturing facilities in Shenzhen and the decrease in retail sales from the VIP showroom during the year.

Selling and Administrative Expenses (the "S&A expenses")

S&A expenses mainly comprised selling expenses of HK$9.3 million (FY15: HK$11.1 million) and administrative expenses of HK$69.0 million (FY15: HK$81.2 million). S&A expenses decreased by HK$14.0 million or 15.2% to HK$78.3 million (FY15: HK$92.3 million) in FY16, as a result of the one-off and non-recurring listing expenses in the previous year, netted off by the increase in expenses of two newly established subsidiaries in Hong Kong and Panyu.

Profit Attributable to Equity Holders of the Company

The loss attributable to equity holders of the Company decreased by HK$21.0 million or 208.8% to HK$10.9 million (FY15: profit of HK$10.1 million) in FY16 mainly due to the decrease of gross profit of the Group and the operating loss of HK$6.1 million by the two newly established subsidiaries in Hong Kong and Panyu.

Liquidity and Capital Resources

As at 31 March 2016, the Group's total equity was HK$313.7 million (2015: HK$267.6 million), representing an increase of 17.2% from last year mainly because the Company has alloted and issued 53,200,000 shares at the placing price of HK$1.05 per share on 8 March 2016.

As at 31 March 2016, the Group had cash and bank balances of HK$163.9 million (2015: HK$76.5 million). Cash and bank balances were mainly denominated in United States dollars, Hong Kong dollars and Chinese Renminbi. The Group's working capital or net current assets were HK$303.9 million (2015: HK$170.5 million). The current ratio, represented by the current assets divided by the current liabilities, was 12.9 (2015: 3.2).

As at 31 March 2015, the Group's total borrowing, which was denominated in Hong Kong dollars, was HK$45.2 million and was interest-bearing. The Company borrowing reduced to nil as at 31 March 2016. The Group does not currently use any derivatives to manage interest rate risk.

As at 31 March 2016, the Group had available banking facilities of HK$85.0 million (2015: HK$125.2 million) with a bank, of which the unused banking facilities amounted to HK$85.0 million (2015: HK$80.0 million). With the committed unused banking facilities in place and available cash and cash equivalents, the Group has adequate financial resources to meet the anticipated future liquidity requirements and capital expenditure commitment.

The Group's borrowing and banking facilities as at 31 March 2015 were secured by certain leasehold land and building with an aggregate carrying amount of HK$95.0 million. The pledge on these leasehold and building were released during the year.

Capital structure

During the year, a total of 53,200,000 new shares were allotted and placed to not less than six independent third parties at the subscription price of HK$1.05 per share. The net proceeds from the subscription are approximately HK$54,365,000. The Company intends to use the net proceeds from the subscription to enlarge its capital base, increase the Group's general working capital and/or other potential business development opportunities as considered appropriate.

Major disposal and connected transaction

On 7 August 2015, the Group disposed the entire issued shares in and the shareholder's loan due by Man Sang International Holdings Limited and its subsidiary to Chairman of the Company at a cash consideration of HK$55,665,000. Man Sang International Holdings Limited and its subsidiary have one major asset, which is a leasehold property. The disposal constitutes a major transaction and a connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The disposal was approved by the shareholders at the Company's extraordinary general meeting held on 18 September 2015 and completed in September 2015.

Exposure to fluctuations in exchange rates

The Group principally operates its businesses in Hong Kong and the PRC. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollars and Chinese Renminbi, which were the major foreign currencies transacted by the Group during FY15 and FY16.

Since Hong Kong dollars remain pegged to the United States dollars within a defined range, the Group is not exposed to any significant foreign exchange risk against the United States dollars. The Group has subsidiaries operating in the PRC, in which most of their transactions, including revenue, expenses and other financing activities, are denominated in Chinese Renminbi.

The Group manages its foreign currency risk against other currencies by closely monitoring the movement of the foreign currency rates and may use hedging derivative, such as foreign currency forward contract, to manage its foreign currency risk as appropriate.

Human Resources

As at 31 March 2016, the Group had a total workforce of 472 (2015: 521), of whom 50 (2015: 53) were based in Hong Kong. The total staff cost, including directors' emoluments and mandatory provident fund, was approximately HK$62.6 million (2015: HK$61.6 million). Employees were remunerated on the basis of their performance and experience. Remuneration packages, including salary and year-end discretionary bonus, were determined by reference to market conditions and individual performance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as the code of conduct for dealing in securities of the Company by the directors of the Company (the "Directors"). All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 March 2016. To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from all three Independent Non-Executive Directors, namely Mr. Fung Yat Sang, Mr. Look Andrew and Mr. Tsui Francis King Chung in accordance with Rule 3.13 of the Listing Rules.

The Board has reviewed the independence of all Independent Non-Executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the Independent Non-Executive Directors has been impaired up to the date of this announcement.

AUDIT COMMITTEE

The audit committee, which comprises all three Independent Non-Executive Directors of the Company, has reviewed with the management in conjunction with the auditor, the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of the draft consolidated financial statements of the Group for the year ended 31 March 2016.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2016.

CORPORATE GOVERNANCE CODE

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the Board is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules.

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 March 2016 and, where appropriate, the applicable recommended best practices of the CG Code.

PROSPECTS

Looking forward, we believe 2016/2017 would be a challenging year for pearl and jewellery processors and merchant. A modest recovery is expected to be continued in the US market while it will still be challenging for the European markets. The consumption sentiment is expected to remain weak in the PRC and Hong Kong. Given the above challenges, the Group will devote efforts on cost control measures and develop customers in new markets to maintain our overall performance.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors are Ms. Yan Sau Man, Amy (CEO) and Mr. Leung Alex; the non-executive director is Mr. Cheng Chung Hing (Chairman); and the independent non-executive directors are Mr. Fung Yat Sang, Mr. Look Andrew and Mr. Tsui Francis King Chung.

By Order of the Board
MAN SANG JEWELLERY HOLDINGS LIMITED
Tse Chi Keung
Company Secretary

Hong Kong, 27 June 2016

Remark:

This results announcement is published on the website of the Company at www.mansangjewellery.com and the Stock Exchange's website at www.hkexnews.hk.