

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB/A

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d) [amend]

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FILER

MAN SANG HOLDINGS INC

CIK: **807630** | IRS No.: **133165967** | State of Incorporation: **NV** | Fiscal Year End: **0331**
Type: **10QSB/A** | Act: **34** | File No.: **000-20877** | Film No.: **96688072**
SIC: **5094** Jewelry, watches, precious stones & metals

Business Address
14/F SANDS BLDG 17
HANKOW RD
TSIMSHATSUI KOWLOON K3
8529427722

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A

AMENDMENT NO. 1

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____ .

Commission File No. 0-20877

MAN SANG HOLDINGS, INC.

(Exact name of small business issuer as specified in its charter)

Nevada

13-3165967

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

21/F Railway Plaza, 39 Chatham Road South
Tsimshatsui, Kowloon, Hong Kong

(Address of principal executive offices)

(852) 2317 5300

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last
report)

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such
shorter period that the registrant was required to file such reports), and (2)
has been subject to such filing requirements for the past 90 days.

Yes No

As of November 1, 1996, 4,304,699 shares of Common Stock of the issuer were outstanding.

MAN SANG HOLDINGS, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MAN SANG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (UNAUDITED)
(AMOUNTS EXPRESSED IN THOUSANDS)

<TABLE>
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	SEPTEMBER 30, 1996		MARCH 31, 1996
	US\$ <C>	HK\$ <C>	HK\$ <C>
ASSETS			
Current assets:			
Cash	2,523	19,501	9,602
Accounts receivable, net	6,201	47,931	33,809
Advances to related parties	-	-	50
Inventories	14,478	111,914	85,941
Prepaid expenses	248	1,917	1,194
Other current assets	592	4,580	6,749
	24,042	185,843	137,345
Property, plant and equipment, net	1,702	13,161	9,697
Real estate investment, net	3,381	26,134	26,199
	29,125	225,138	173,241
Total assets			

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Short-term borrowings	6,567	50,767	56,625
Current portion of long-term debt	28	216	363
Accounts payable	2,314	17,891	22,429
Advances from related companies	-	-	2,815
Accrued payroll and employee benefits	316	2,441	1,248
Other accrued liabilities	1,260	9,738	10,130
Income taxes payable	37	285	21
	-----	-----	-----
Total current liabilities	10,522	81,338	93,631
Long-term debt	8	62	178
	-----	-----	-----

Shareholders' equity:

Common stock, par value \$0.001	17	133	93
Preferred stock, par value \$0.001			
Series A	-	1	1
Series B convertible and redeemable	-	-	-
Additional paid-in capital	5,398	41,720	1,907
Retained earnings	12,995	100,452	77,205
Cumulative translation adjustments	185	1,432	226
	-----	-----	-----
Total shareholders' equity	18,595	143,738	79,432
	-----	-----	-----
Total liabilities and shareholders' equity	29,125	225,138	173,241
	=====	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements

Page 1

MAN SANG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30
(Amounts expressed in thousands except share data)

<TABLE>

<CAPTION>

	Three Months Ended September 30,			Six Months Ended September 30,		
	1996		1995	1996		1995
	US\$	HK\$	HK\$	US\$	HK\$	HK\$
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales	8,203	63,403	73,050	15,427	119,250	116,972
Cost of goods sold	5,350	41,356	48,244	9,737	75,268	79,223
	-----	-----	-----	-----	-----	-----
Gross profit	2,853	22,047	24,806	5,690	43,982	37,749
Rental income, gross	153	1,186	873	300	2,323	1,638
Selling, general and administrative expenses:						
Pearls	1,237	9,557	9,792	2,412	18,643	15,843
Real estate investment	134	1,037	242	208	1,611	937
	-----	-----	-----	-----	-----	-----
Operating income	1,635	12,639	15,645	3,370	26,051	22,607
Interest expense	178	1,378	1,460	391	3,020	2,808
Interest income	23	179	223	35	268	223
Other income	79	609	364	110	851	735

Income before income taxes	1,559	12,049	14,772	3,124	24,150	20,757
Provision for income taxes	(8)	(66)	777	117	903	996
Net income	1,567	12,115	13,995	3,007	23,247	19,761
Earnings per common share	0.49	3.75	5.09	0.93	7.19	7.18
Weighted average common and common equivalent shares outstanding		3,231,150	2,750,000		3,231,150	2,750,000

</TABLE>

See accompanying notes to condensed consolidated financial statements

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MAN SANG HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Amounts expressed in thousands)

<TABLE>
<CAPTION>

	Six Months Ended September 30,		
	1996		1995
	US\$	HK\$	HK\$
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	3,007	23,247	19,761
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	163	1,263	1,670
Loss (gain) on sale of property, plant and equipment	29	222	(11)
Changes in operating assets and liabilities			
Accounts receivable	(1,705)	(13,183)	(9,564)
Inventories	(3,304)	(25,546)	6,108
Prepaid expenses	94	723	(2,052)
Other current assets	94	731	-
Income taxes receivable	-	-	235
Accounts payable	(642)	(4,961)	(15,243)
Accrued payroll and employee benefits	154	1,190	1,358
Other accrued liabilities	(56)	(435)	796
Income taxes payable	34	64	25
Net cash (used in) provided by operating activities	(2,132)	(16,485)	3,083
Cash flows from investing activities:			
Purchase of property, plant and equipment	(606)	(4,685)	(958)
Proceeds from sale of property, plant and equipment	26	199	241
Net cash (used in) investing activities	(580)	(4,486)	(717)

Cash flows from financing activities:			
Repayment of long-term debt	(34)	(263)	(258)
Increase in short-term borrowings	7,152	55,286	123,423
Repayment of short-term borrowings	(7,451)	(57,595)	(128,211)
Increase in bank overdrafts	21,885	169,174	48,238
Repayment of bank overdrafts	(22,358)	(172,828)	(40,626)
Advances from related parties	18	139	2,743
Repayments to related parties	(376)	(2,904)	(4,578)
Net proceeds from issuance of Series B preferred stock	5,156	39,853	-
	-----	-----	-----
Net cash provided by financing activities	3,992	30,862	731
	-----	-----	-----
Net increase in cash	1,280	9,891	3,097
Exchange adjustments	1	8	558
Cash at beginning of period	1,242	9,602	4,783
	-----	-----	-----
Cash at end of period	2,523	19,501	8,438
	=====	=====	=====

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during period for:

Interest and finance charges	391	3,020	3,186
	=====	=====	=====
Income taxes	83	639	731
	=====	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements

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MAN SANG HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
September 30, 1996
(Unaudited)

1. INTERIM FINANCIAL PRESENTATION

The interim financial statements are prepared pursuant to the requirements for reporting on Form 10-QSB. The March 31, 1996 balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes included in the Company's Form 10-KSB dated March 31, 1996. In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature necessary for a fair presentation of the results for the interim periods presented.

2. CURRENCY PRESENTATION AND FOREIGN CURRENCY TRANSLATION

Assets and liabilities of foreign subsidiaries are translated at period end exchange rates, while revenues and expenses are translated at average exchange rates during the period. Adjustments arising from translating foreign currency financial statements are reported as a separate component of stockholders' equity. Gains or losses from foreign currency transactions are included in income. Aggregate net foreign currency gains or losses were immaterial for all periods.

The consolidated financial statements of the Company are maintained, and its consolidated financial statements are expressed, in Hong Kong dollars. The translations of HK dollar amounts into US dollars are for convenience only and have been made at the rate of HK\$7.73 to US\$1, the approximate free rate of exchange at September 30, 1996. Such translations should not be construed as representations that the Hong Kong dollar amounts could be converted into US dollars, at that rate or any other rate.

3. SHAREHOLDERS' EQUITY

During the six months ended September 30, 1996, the Company sold 6,760 shares of Series B convertible preferred stock, par value \$0.001 each, for \$6,760,000. The Series B preferred shares were convertible into common stock commencing on or after 45 days following the sale of such shares. Each Series B preferred share was convertible into the number of shares of common stock determined by dividing US\$1,000 by an amount equal to the lesser of (1) the market price of the common stock on the closing date of the sale of such shares or (2) 70% of the average closing bid price of the common stock for the five trading days preceding the conversion. The right of the holders of Series B preferred shares to convert such shares into common stock expired on December 31, 1997.

During the six months ended September 30, 1996, all of the Series B preferred shares were converted into common stock of the Company resulting in the issuance of 5,218,797 shares of common stock.

4. SUBSEQUENT EVENTS

After September 30, 1996, the following subsequent events took place:

- a. The company declared a 1-for-4 reverse split of its common stock effective October 10, 1996.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MATERIAL CHANGES AND RESULTS OF OPERATIONS

Net sales during the six months ended September 30, 1996 totaled HK\$119.2 million, representing a 1.9% increase, compared to net sales of HK\$116.9 million during the same period in 1995. The slight increase in net sales was attributable to implementation of the Company's plan to alter its sales mix with an emphasis on increased sales of higher margin cultured pearls. Cultured pearls, including Chinese cultured pearls, Japanese cultured pearls and South Sea Pearls, represented 68% of net sales during the six months ended September 30, 1996 as compared to 54% of net sales during the same period in 1995.

Gross profits increased by HK\$6.3 million, or 16.7%, to HK\$44.0 million for the six months ended September 30, 1996 compared to HK\$37.7 million for the same period in 1995. As a percentage of sales, gross profits increased from 32.3% in 1995 to 36.9% in 1996. The increase in gross profits and gross profit margins resulted from the overall increase in sales and an increase in the percentage of higher margin cultured pearls.

Rental income increased by HK\$685,000, or 41.8%, to HK\$2.3 million for the six months ended September 30, 1996 compared to HK\$1.6 million for the same period in 1995. The increase in gross rental income was attributable to an increase in occupancy rate from 57% to 86%, respectively, in the Man Sang Industrial City facility located in the People's Republic of China.

Selling, general and administrative expenses ("SG&A") during the six months ended September 30, 1996 totaled HK\$20.2 million, consisting of HK\$18.6 million attributable to pearl operations and HK\$1.6 million attributable to real estate operations, as compared to HK\$16.0 million, consisting of HK\$15.8 million attributable to pearl operations and HK\$0.2 million attributable to real estate operations, during the same period in 1995, an increase of HK\$4.2 million, or 26.2%. The increase in SG&A was primarily due to increased marketing expenses associated with the higher sales volume, including exhibition expenses and advertising and promotion expenses for trade shows and increased salaries attributable to hiring of additional staff to support the expanded scope of operations and increases in management salaries. As a percentage of net sales, SG&A from pearl operations increased from 13.5% to 15.6%.

Net interest expense increased by HK\$167,000, or 6.5%, to HK\$2.75 million for the six months ended September 30, 1996, from HK\$2.6 million for the same period in 1995. The increase in net interest expense was due principally to an increase in short-term borrowings during the first quarter of the current fiscal year. The increase in short-term borrowings was used to finance higher inventory holding costs associated with higher levels of production and sales. The Company's average borrowing rate decreased to 10.7% per annum for the six months ended September 30, 1996 from 12.2% per annum for the year ended March 31, 1996.

MATERIAL CHANGES IN FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At September 30, 1996, the Company had working capital of HK\$103.8 million and cash balances of HK\$19.5 million as compared to a working capital balance of HK\$43.7 million and a cash balance of HK\$9.6 million at March 31, 1996. The improvement in working capital was attributable to a combination of (i) cash flows from profitable operations and (ii) the receipt of HK\$39.9 million of net proceeds from the sale of convertible preferred stock during the period.

Inventories increased by HK\$26 million to HK\$111.9 million at September 30, 1996 from HK\$85.9 million at March 31, 1996. The increase in inventories was attributable to higher purchasing and production to meet increased demand

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for the Company's Chinese cultured pearls and because of a change in the mix of the inventory to a higher percentage of more expensive cultured pearls. Inventories of Chinese cultured pearls and South Sea pearls increased by HK\$8.6 million and HK\$10.1 million, respectively, during the period. The increase in inventories has been primarily financed with short-term borrowings and proceeds from the sale of convertible preferred stock.

Accounts receivable increased to HK\$47.9 million at September 30, 1996 from HK\$33.8 million at March 31, 1996. The increase in accounts receivable was attributable to a large increase in net sales in September 1996 as a result of a very successful trade show appearance and slightly more favorable credit terms offered to selected customers. The average turnover of accounts receivable for the six months ended September 30, 1996 was 73 days as compared to 60 days for the year ended March 31, 1996.

At September 30, 1996, the Company had utilized approximately HK\$50.8 million of its credit facilities as compared to HK\$53.9 million which had been utilized at March 31, 1996. The decrease in borrowings under the Company's credit facilities was attributable to the receipt of the net proceeds from the sale of convertible preferred stock during the period.

During the six months ended September 30, 1996, the Company issued convertible preferred stock raising approximately HK\$39.9 million net of offering costs. At September 30, 1996, all 6,760 shares of Series B

convertible preferred stock issued had been converted to common stock at a price equal to 70% of the average closing bid price of the common stock for the five trading days preceding the conversion. As a result of such conversions, the Company issued approximately 5,218,797 shares of common stock (prior to giving effect to a 1-for-4 reverse split of the Company's common stock effective October 10, 1996).

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

The Company has relocated its executive offices to 21/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

<TABLE>

<S>

(REGISTRANT)
BY (SIGNATURE)
(NAME AND TITLE)
(DATE)

<C>

MAN SANG HOLDINGS, INC.
/S/ Sam Sio
Sam Sio, Chief Executive Officer
December 30, 1996

BY (SIGNATURE)
(NAME AND TITLE)
Officer
(DATE)

/S/ Frederick Cheng
Frederick Cheng, Chief Financial
Officer
December 30, 1996

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