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## **MAN SANG INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 938)**

### **CHANGE OF AUDITORS**

This announcement is made by Man Sang International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **PWC’S RESIGNATION**

The Company announces that the board of directors of the Company (the “**Board**”) and the audit committee of the Company (the “**Audit Committee**”) have received a letter (the “**Letter**”) from Messrs. PricewaterhouseCoopers (“**PwC**”) dated 6 July 2017 advising its resignation as the auditor of the Company (the “**Resignation**”) with immediate effect, whereby PwC set out the matters leading to its Resignation. The relevant paragraph of the Letter is reproduced as follows:

“During the course of our audit, we became aware that Chongqing Kingstone Land Co., Ltd (“**Chongqing Kingstone**”), an indirect wholly owned subsidiary of the Company, received or paid certain cash amounts from/to certain parties during the year ended 31 March 2017. No supporting documents or agreements have been provided to us to support these fund transfers. These counterparties included third parties as well as certain companies beneficially owned by or otherwise related to Mr. Tsoi Tung, a director of Chongqing Kingstone and therefore a connected person of the Company at the subsidiary level. We were informed by management that certain of the above amounts received by Chongqing Kingstone were arranged by Mr. Tsoi Tung while certain of the above payments made by Chongqing Kingstone were made under the instruction of Mr. Tsoi Tung. Management explained that these fund transfers were borrowings from/repayment to Mr. Tsoi Tung.

In connection with the above fund transfers, as communicated in our letter to the Board of Directors and the Audit Committee dated 22 June 2017, we have requested to obtain a full explanation and the necessary audit evidence about these receipt/payment transactions, including but not limited to the background and relationships of certain of the above counterparties with the Group, the nature of the underlying transactions together with the related terms, if any, as well as the underlying business reasons. These are important for us to determine the scope of audit procedures on these transactions, and ultimately assess their impact on the Group’s financial statements and their audit implications. Given the

significance of the matters noted, especially in view of the lack of underlying supporting/ agreements and the fact that a senior executive of the Group was involved, we also requested the Board of Directors to form an independent investigation committee to commission an independent investigation (the “**Investigation**”) on these transactions to be conducted by an independent professional advisor. We have also reiterated that we, as the auditor of the Company, need to assess the competence, capabilities and objectivity of the independent professional advisor to be appointed to conduct the Investigation and to be satisfied with respect to the adequacy of the scope and procedures of the Investigation. The results of the Investigation will be relied upon by us as significant evidence for our audit of the Company’s consolidated financial statements, and are likely to have significant impact on the nature, timing and extent of the audit procedures to be undertaken by us.

We were requested by the Board of Directors on 28 June 2017 to consider resigning as auditor of the Company as management considered that they have already offered their views and explanations with respect to the above fund transfers and have provided us with relevant documents to the fullest extent possible. However, as of the date of this letter, we have not yet obtained any of the explanation and information as requested in our letter dated 22 June 2017 mentioned above. We also understand that the Board of Directors has not formed any independent investigation committee and have not commissioned any independent investigation. As we are not able to obtain satisfactory explanations and evidence in connection with the above fund transfer transactions and given the fact that the Board of Directors has not carried out an independent investigation, we are not able to perform the necessary additional audit procedures which we believe are necessary for the audit of the Company’s consolidated financial statements for the year ended 31 March 2017, we therefore agree with the Board to terminate the audit relationship.”

## **THE COMPANY’S RESPONSE TO THE VIEW OF PwC**

During the course of the audit, the Company has been cooperative with PwC in relation to, among others, the enquiries of the abovementioned fund transfers. Management of the Company has offered PwC with our views and explanations with respect to the above fund transfers which the Board considered reasonable and the Board believes these fund transfers were genuine advances from/repayment to Mr. Tsoi Tung. The Company has also provided PwC with relevant documents to the fullest extent possible which are available to the Company. Despite the fact that the Company has already exhausted all means to provide information/documents concerning the fund transfers to the best of the Company’s knowledge and extent possible, however, PwC still indicated such explanations and documents were insufficient for the purposes of the audit. Furthermore, the Board is of the view that the fund transfers can be addressed by communication and coordination with the auditor and it is unnecessary to engage an independent third party to investigate the transactions given the Company has already exhausted all means to provide information/documents concerning the fund transfers which were considered as genuine advances from/repayment to Mr. Tsoi Tung. Notwithstanding the Board’s proposed action to address this matter and lengthy discussions with PwC, PwC does not believe that such actions/steps are sufficient to enable them to perform their audit work.

After due and careful consideration by the Board and the Audit Committee, in light of the continuous disagreement and the inability to agree on the scope of work to be performed for the purpose of the audit between the Company and PwC, the Board is of the view that it is in the best interest of the Company and its shareholders for the Company to terminate the audit relationship with PwC and to identify a suitable new auditor to fill the vacancy following the resignation of PwC, such that the audit work for the year ended 31 March 2017 can be completed as soon as possible and then having the audited final results to be published accordingly.

#### **CONFIRMATION FROM THE BOARD**

The Board confirmed that, save for the foregoing, there is no disagreement between the Company and PwC, and there were no matters connected with the resignation of PwC which the Board considered should be brought to the attention of the shareholders of the Company. The Company is incorporated under the laws of Bermuda and to the knowledge of the Board there is no requirement under the laws of Bermuda for the resigning auditor to confirm whether or not there is any circumstance connected with their resignation which they consider should be brought to the attention of the Company's shareholders and creditors. PwC has therefore not issued such confirmation under Rule 13.51(4) of the Listing Rules.

#### **APPOINTMENT OF NEW AUDITOR**

According to the bye-laws of the Company, the Board decided to appoint SHINEWING (HK) CPA Limited (“SHINEWING”) as the Company's auditor to fill the vacancy following the Resignation and to hold office until the conclusion of the next general meeting of the Company. The Company understands SHINEWING will conduct audit work on the consolidated financial statement of the Group for the year ended 31 March 2017 after SHINEWING is satisfied with relevant client acceptance procedures and accepts the Company as its client.

By Order of the Board  
**Man Sang International Limited**  
**Leung Alex**  
*Executive Director and Company Secretary*

Hong Kong, 6 July 2017

*As at the date of this announcement, the executive directors are Mr. Lei Hong Wai (Chairman), Ms. Cheng Ka Ki, Mr. Cheung Kwok Wai, Elton, Mr. Leung Alex and Mr. Yuan Huixia; and the independent non-executive directors are Mr. Lai Hok Lim, Mr. Lei Seng Fat and Mr. Wong Tak Chuen.*