THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Man Sang International Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET AND THE SALE LOAN AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening the special general meeting of Man Sang International Limited (the "**Company**") to be held at Lotus Room, 6/F, Marco Polo Hongkong Hotel, Harbour City, Tsimshatsui, Kowloon, Hong Kong on Friday, 15 July 2016 at 4:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time of the meeting. Completion and return of the proxy form will not preclude you from attending and voting at the meeting or any adjournment thereof (as the case may be) should you so wish.

16 June 2016

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the Sale Shares and the Sale Loan by the Company from the Vendor pursuant to the terms and conditions of the Agreement
"Agreement"	the sale and purchase agreement dated 8 April 2016 entered into among the Company, the Vendor and the Guarantor in relation to the Acquisition (as varied by the Deed of Variation)
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day on which banks are open for business in Hong Kong (other than a Saturday, Sunday or a public holiday or a day on which a tropical cyclone warning No. 8 or above or a "black rainstorm warning signal" is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
"BVI"	the British Virgin Islands
"Company"	Man Sang International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 938)
"Completion"	completion of the Acquisition pursuant to the terms and conditions under the Agreement
"Completion Date"	the date on which Completion occurs
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the aggregate consideration payable in respect of all of the Sale Shares and the Sale Loan
"Deed of Variation"	the deed of variation dated 19 May 2016 entered into between the parties to the Agreement to vary the payment terms of the Consideration
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group after Completion
"Group"	the Company and its subsidiaries

"Guaranteed Obligation(s)"	the agreements, undertakings, liability and obligations of the Vendor pursuant to the Agreement
"Guarantor"	Ms. Wang Ming (王茗), an Independent Third Party
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third party(ies)"	independent third party(ies) who is(are) not connected with the Company and its connected persons (as defined in the Listing Rules)
"Kingstone"	Chongqing Kingstone Land Co., Ltd (重慶皇石置地有限公司), a company established in the PRC with limited liability and is a wholly-owned subsidiary of New Bright
"Latest Practicable Date"	10 June 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	banking facilities in the aggregate principal amount of RMB800 million granted to Kingstone by an independent company, pursuant to a loan agreement dated 23 June 2015
"Long Stop Date"	30 September 2016 (or such other date as may be agreed by the Vendor and the Company in writing)
"New Bright"	New Bright Investment (Group) Limited (新輝投資(集團)有限公司), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Target
"PRC"	the People's Republic of China but excluding, for the purposes of this circular, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Promissory Note"	the three-year promissory note in the principal amount of HK$1,168 million with interest rate of 8% per annum to be issued by the Company to the Vendor in satisfaction of part of the Consideration
"Property"	the land and the building erected thereon situated at No. 77 Qingnian Road, Yuzhong District, Chongqing, the PRC

"Redevelopment" or "Redevelopment Project"	the redevelopment of the Property into a commercial/residential complex which will be held for sale and/or leasing purposes
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Loan"	all amounts due and owing from the Target to the Vendor immediately before Completion and which as at 31 December 2015 amounted to approximately HK$460 million
"Sale Shares"	the entire issued share capital of the Target at Completion
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for, among others, considering and if thought fit, approving the Agreement (including the terms of the Promissory Note) and the transactions contemplated thereunder
"Share(s)"	the ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Gloryear Investments Limited (譽年投資有限公司), a company incorporated in BVI with limited liability
"Target Group"	the Target and its subsidiaries as set out in the section headed "Information on the Target Group" of this circular
"UBS Collar Derivative"	the financial product as set out in the confirmation letter dated 2 July 2015 signed by UBS AG, London Branch and New Bright and the amendment agreement signed by the same parties
"US$"	the United States dollars, the lawful currency of the United States
"Vendor"	Xinli Holdings Limited (鑫力控股有限公司), a company incorporated in BVI with limited liability and wholly-owned by the Guarantor
"%"	per cent.

In this circular, unless otherwise stated, certain amounts dominated in RMB have been translated into HK$ at an exchange rate of RMB1.0 to HK$1.2 for illustrative purpose.

MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

Executive Directors:
Mr. Lei Hong Wai *(Chairman)*
Ms. Cheng Ka Man, Carman
Mr. Cheung Kwok Wai, Elton
Mr. Leung Alex

Independent Non-executive Directors:
Mr. Chan Cheong Tat
Mr. Kiu Wai Ming
Mr. Lau Chi Wah, Alex

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business:
Suite 2201, 22/F., Sun Life Tower
The Gateway, 15 Canton Road
Tsimshatsui
Kowloon
Hong Kong

16 June 2016

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET AND THE SALE LOAN

We refer to the announcements of the Company dated 12 April 2016 and 19 May 2016 in relation to, among other things, the Acquisition.

INTRODUCTION

On 8 April 2016, the Company, the Vendor and the Guarantor entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares and the Sale Loan at the aggregate Consideration of HK$1,468 million, which will be satisfied by a combination of cash and the issue of the Promissory Note by the Company.

On 19 May 2016, the parties to the Agreement entered into the Deed of Variation to vary the payment terms of the Consideration. Initially, the Consideration was to be settled as to HK$500 million in cash and HK$968 million by way of a promissory note to be issued by the

Group. Following the entering into of the Deed of Variation, the Consideration is to be settled as to HK$300 million in cash and as to HK$1,168 million by way of the issue of the Promissory Note by the Company.

The purpose of this circular is to provide you with, among other things, further information in relation to the Acquisition and a notice of the SGM.

THE AGREEMENT

Date: 8 April 2016

Parties

Purchaser: Man Sang International Limited

Vendor: Xinli Holdings Limited (鑫力控股有限公司)

Guarantor: Ms. Wang Ming (王茗)

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner and the Guarantor are Independent Third Parties.

Subject matters of the Acquisition

Pursuant to the terms of the Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target, and the Sale Loan.

The Consideration

Pursuant to the terms of the Agreement, the Consideration for the sale and purchase of the Sale Shares and the Sale Loan shall be the sum of HK$1,468 million (the consideration for the Sale Loan is equivalent to its face value and the consideration for the Sale Shares shall be the balance of the Consideration after deducting the consideration for the Sale Loan) to be paid by the Company to the Vendor or its nominee(s) in the following manner:

(a) a refundable deposit of HK$300 million (the "**Deposit**") has been paid in cash within 7 days after the signing of the Agreement. The Deposit shall be refunded and repaid to the Company within ten (10) Business Days upon the termination or non-completion of the Agreement as full and final settlement of all claims that may arise under the Agreement; and

(b) as to the remaining balance of HK$1,168 million shall be paid by way of the Promissory Note issued by the Company in favor of the Vendor on the Completion Date.

Further details of the Promissory Note are set out in the section headed "The Promissory Note" below.

Basis of determination of the Consideration

The Consideration was determined after arm's length negotiations between the Company and the Vendor, with reference to, as at the date of the Agreement, (i) the unaudited consolidated net asset value of the Target Group; and (ii) the preliminary valuation of the Property (taking into account the Redevelopment) of RMB2,000 million (equivalent to approximately HK$2,387 million based on a conversion rate of RMB1 to HK$1.1935 adopted when the Agreement was signed on 8 April 2016) as at 29 February 2016 prepared by an independent professional valuer.

Conditions precedent

The sale and purchase of the Sale Shares and the Sale Loan are conditional upon the satisfaction or waiver (if made in accordance with the provisions thereof) of the following:

(a) the Company having obtained the relevant approval from the Shareholders at a general meeting in accordance with the requirements of the Listing Rules for the purchase of the Sale Shares and the Sale Loan and issue of the Promissory Note as contemplated by the Agreement;

(b) all license, permit, consent, authorisation, permission, clearance, warrant, confirmation, certificate or approval of any authority or any other person ("**Authorisations**") (if any) which are required for the entering into or the performance of obligations under the Agreement by the parties thereto having been obtained and all filings with any authorities and other relevant third parties which are required for the entering into and the implementation of the Agreement having been made and such Authorisations (if any) remaining in full force and effect and there being no statement, notification or intimation of an intention to revoke or not to renew the same having been recorded;

(c) no order or judgment of any authority having been issued or made prior to Completion which has the effect of making unlawful or otherwise prohibiting or restricting the transfer of the Sale Shares or the Sale Loan to the Company;

(d) the Company having conducted and completed a due diligence investigation on all business, assets and liabilities, legal and financial matters and all such other matters as deemed necessary by the Company in relation to the Target Group and the Redevelopment Project (the "**Due Diligence Investigation**"), and the Company being satisfied with the results of such Due Diligence Investigation;

(e) the Company having obtained a PRC legal opinion issued by qualified PRC legal advisers, with respect to Kingstone and the Redevelopment Project, in form and substance satisfactory to the Company in its reasonable opinion;

(f) the Vendor having provided evidence to the reasonable satisfaction of the Company that there is no material legal obstacle for Kingstone to obtain a land use right certificate extending the land use right of the Redevelopment Project to August 2053;

(g) the Company being satisfied that no material adverse change has arisen or occurred since the last day of the month immediately prior to Completion and up to Completion;

(h) there having been no material breach by the Vendor of its obligations pursuant to the terms of the Agreement; and

(i) there having been no material breach of the warranties as set out in the Agreement (and no fact, event or circumstance having occurred which would make the warranties as set out in the Agreement untrue or inaccurate in any material respect at Completion).

As at the Latest Practicable Date, save for condition (d) which has been satisfied, none of the other conditions has been satisfied or waived.

The Company may at its sole discretion waive the conditions above (save for conditions (a), (b) and (c), which cannot be waived) at any time by written notice to the Vendor.

If:

(a) one or more of the above conditions (save for condition (d)) remains unsatisfied as at the Long Stop Date and has not been waived on or before that date in accordance with the Agreement;

(b) one or more of the above conditions (save for condition (d)) becomes impossible to satisfy before the Long Stop Date and, if it is a condition which can be waived by a party, has not been waived within three (3) Business Days of such condition becoming impossible to satisfy; or

(c) in relation to condition (d) above, the Company gives written notice to the Vendor that its Due Diligence Investigation is unsatisfactory within two (2) months after the date of the Agreement specifying the reasons upon which the Company considers the Due Diligence Investigation to be unsatisfactory,

the Agreement, other than the terms as specified in the Agreement, shall automatically terminate with immediate effect and each of the Company's and the Vendor's rights and obligations shall cease immediately on termination and thereafter none of the parties thereto shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. Such termination shall not affect the rights and obligations of any party above existing before termination.

Completion

Completion shall take place five (5) Business Days after the last of the conditions (a), (b), (d), (e) and (f) as set out above is satisfied or waived in accordance with the Agreement, or at such other time or date and/or venue as may be agreed in writing between the Vendor and the Company.

Upon Completion, the Target will become a direct wholly-owned subsidiary of the Company and financial results of the Target Group will be consolidated into the accounts of the Group.

As at the Latest Practicable Date, the Company has no intention to change the Directors upon Completion (including appointment of Ms. Wang Ming as the Director).

Guarantee and undertaking by the Guarantor

The Guarantor, Ms. Wang Ming, is the sole ultimate beneficial owner and director of the Vendor.

The Guarantor has irrevocably and unconditionally guaranteed to the Company the due and punctual performance of the Guaranteed Obligations by the Vendor and if the Vendor fails to perform any Guaranteed Obligation when due, the Guarantor shall perform or procure the performance of such Guaranteed Obligation immediately on the Company's written demand.

Indemnity

Pursuant to the terms of the Agreement, save as disclosed to the Company and subject to the terms of the Agreement, if there is a breach of the warranty given by the Vendor and:

(i) the value of a member of the Target Group or of its assets (including assets warranted to exist but not existing) is less than it would have been at Completion in the absence of the breach; or

(ii) the member of the Target Group incurs a liability which it would not have incurred, or which exceeds the liability it would have incurred, had matters been as warranted; or

(iii) as a result of the breach a member of the Target Group and/or the Company suffers losses, costs or expenses,

then, without affecting the Company's other rights, the Vendor shall fully or effectively indemnify the Company for the losses, costs and expenses which the Company may incur or sustain from or in consequence of any of the warranties not being correct or fully complied with.

The Vendor has represented and warranted to the Company that save as disclosed, the accounts of each member of the Target Group as at 31 December 2015 fairly reflect the assets, liabilities and state of affairs of the Target Group as at 31 December 2015. The provisions for termination expenses, which is a contractual obligation in connection with the termination of the hotel operation of Kingstone, were not disclosed in the accounts of the Target Group provided by the Vendor to the Company prior to signing of the Agreement. Thus, the Company is entitled to claim for the losses, costs and expenses should there be any economic outflow suffered by the Company in relation to the termination expenses in accordance with the representations and warranties given by the Vendor to the Company pursuant to the Agreement.

Apart from the foregoing general indemnities, the Vendor and the Company have further agreed that notwithstanding Completion, any losses, costs and expenses after Completion as a result of or in connection with the UBS Collar Derivative (the "**Losses**") shall be borne by the Vendor and all profits, gains or interests derived from the UBS Collar Derivative shall be attributable to the Vendor. The Vendor has thus specifically agreed to irrevocably, unconditionally, fully and effectively indemnify the Company for the Losses.

THE PROMISSORY NOTE

The principal terms of the Promissory Note are as follows:

Issuer:	The Company
Principal amount:	HK$1,168 million Subject to the Promissory Note not being fully redeemed and not being transferred by the Vendor, the obligation of the Company to pay the Vendor on the Maturity Date (as defined below) thereunder shall be deemed to have been set off on a dollar-for-dollar basis against the obligation of the Vendor to pay the Company pursuant to the Agreement.
Interest:	8% per annum.
Maturity:	The third anniversary of the date of the Promissory Note (the "**Maturity Date**").
Early redemption by the Company:	The Company has the option but not the obligation to redeem the Promissory Note at any time prior to the Maturity Date by giving the Vendor written notice.
Transferability:	The Promissory Note may be assigned or transferred in whole or in part of its outstanding principal amount at any time before the Maturity Date at the absolute discretion of the Vendor. The Promissory Note is binding on the successors of each of the Company and the Vendor.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in BVI with limited liability and is principally engaged in investment holding.

The Guarantor, Ms. Wang Ming, is the sole ultimate beneficial owner and director of the Vendor.

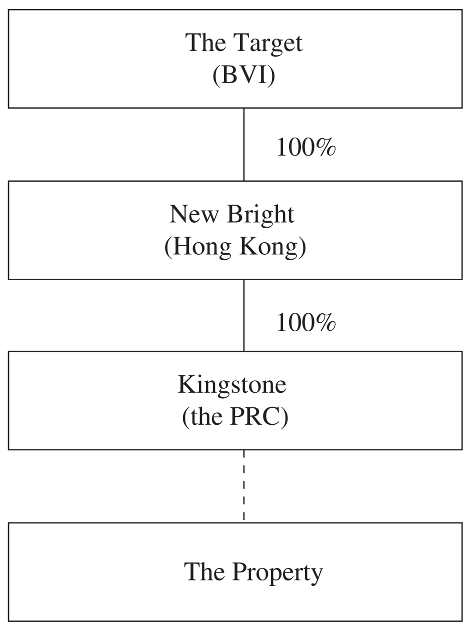
INFORMATION OF THE TARGET GROUP

The Target is an investment holding company incorporated in BVI with limited liability and is wholly-owned by the Vendor as at the Latest Practicable Date.

New Bright, which is a wholly-owned subsidiary of the Target, is an investment holding company incorporated in Hong Kong with limited liability.

Kingstone, which is a wholly-owned subsidiary of New Bright, is a company established in the PRC and owns the Property.

The shareholding structure of the Target Group as at the Latest Practicable Date is set out below:



Based on the accountant's report of the Target Group as set out in Appendix II to this circular, set out below are the consolidated financial information of the Target Group from its continuing operation for the two years ended 31 December 2014 and 2015:

	For the year ended 31 December 2014	**For the year ended 31 December 2015**
	HK$'000	*HK$'000*
Turnover	—	—
Loss before taxation	(250,411)	(132,309)
Loss after taxation	(249,414)	(129,322)

As at 31 December 2015, the illustrative net asset value of the Target Group, after taking into consideration the valuation of the Property of RMB2,000 million (equivalent to approximately HK$2,400 million), was approximately HK$921 million.

Books and records

The books and records of the discontinued hotel operation of the Target Group for the period from 18 June 1998 to 30 June 2014, which had been maintained and kept by the hotel operator, were lost when the hotel building was vacant for the Redevelopment in July 2014 (the "**Loss of Records**"). The management of the Target Group were unable to access the books and records of the hotel operation for the period from 18 June 1998 to 30 June 2014. The reporting accountant of the Company was not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion. Accordingly, the reporting accountant of the Company has not expressed an opinion on the financial information for the years ended 31 December 2013 and 2014. Please refer to the accountant's report of the Target Group as set out in Appendix II to this circular for details of the opinion from the reporting accountant.

Notwithstanding the above, the reporting accountant has issued an unqualified opinion on the financial statements of the Target Group for the year ended 31 December 2015, with an emphasis of matter paragraph on going concern. Details of the going concern of the Target Group have been discussed in the section headed "Reasons for and benefits from the Acquisition — Possible risks relating to the Acquisition" below.

INFORMATION OF THE PROPERTY

The Property is located in the prime area of Chongqing, the PRC and is currently under the Redevelopment (which started in the first quarter of 2015), which includes renovation without demolishing its building structure, from a commercial service building into a commercial/residential complex which will be held for sale and/or leasing purposes. The total gross floor area of the Property is 89,904.06 square metres. It is expected that the Redevelopment will be completed by December 2016.

The current land use rights of the Property expires on 18 August 2033 and the Vendor is in the process of applying for a confirmation letter from the land authority in Chongqing, the PRC setting out the extension of the land use right to August 2053. The Vendor has indicated that it does not foresee any material impediment in obtaining the extension of the land use right. Provided that the Vendor cannot provide evidence to the reasonable satisfaction of the Company that there is no material legal obstacle for Kingstone to obtain the extension of the land use right, the Company shall be entitled to elect not to proceed to Completion in accordance with the Agreement.

Based on the valuation of the Property (having taken into account the Redevelopment) prepared by an independent professional valuer as set out in Appendix V to this circular, the market value of the Property as at 31 March 2016 was RMB2,000 million (equivalent to approximately HK$2,400 million).

Kingstone (the legal owner of the Property) entered into a loan agreement with an independent company in June 2015, pursuant to which Kingstone was granted the Loan for a term of 3 years. The Property was mortgaged to the lender to secure the Loan.

The Company has engaged King & Wood Mallesons, the PRC legal adviser to the Company, to conduct the Due Diligence Investigation and issue a legal opinion with respect to Kingstone and the Property (including the Redevelopment Project) on, among other things, title of the Property, Kingstone's right to the Property and whether all necessary approvals in respect of the Redevelopment Project have been obtained by Kingstone. According to the legal opinion dated 16 June 2016 of King & Wood Mallesons, Kingstone has proper legal title to the Property. With regard to the Redevelopment Project, save for the planning permit and construction permit, Kingstone has obtained other material approvals, including the project filing certificate, environmental protection assessment approval and fire protection design approval from the relevant authorities. As advised by the Vendor, Kingstone is in the process of applying for the permits required for the Redevelopment.

PRC TAX EXPOSURE

The Target Group is engaged in the property development business. It is expected that upon the completion of the Redevelopment, a portion of the Property will be made available for sale while the remaining will be held by the Target Group for earning rental income. Accordingly, the Target Group is exposed to a variety of taxes in the PRC, including Corporate Income Tax, Land Appreciation Tax, Value-Added Tax, Real Estate Tax and Land Use Tax, which will be incurred by the Target Group as and when the business operation commences after the completion of the Redevelopment.

Land Appreciation Tax ("LAT")

LAT will be levied on properties developed by the Target Group which will be subsequently sold for profit after the Redevelopment. According to the relevant PRC tax law and regulations, any appreciation derived from transferring of land use rights and the related real estate properties are subject to LAT at progressive rates ranging from 30% to 60%, which is calculated based on the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

Corporate Income Tax ("CIT")

The CIT in respect of the operations of the Target Group in the PRC is calculated at a rate of 25% on the net taxable profits for each financial year based on existing legislation, interpretations and practices in respect thereof. Pursuant to the relevant PRC tax law and regulations, prior to the completion of projects, a property developer should report CIT on a provisional basis for the incomplete projects on a deemed gross profit rate for sales receipt in advance. After completion of the construction project, the property developer should perform an annual CIT reconciliation such that any deficiency on CIT liability based on actual net profits should be made good to the PRC tax authority.

Value-Added Tax ("VAT")

Since the implementation of VAT reform for the real estates industry in the PRC effective from 1 May 2016, sale and leasing of immovable properties will be subject to VAT. For sale of properties, property developer should report VAT on a provisional basis for receipt in advance during pre-sale stage. After transfer of property ownership, the property developer should perform VAT reconciliation at the VAT rate of 11% (or 5% if simplified method is adopted). For leasing of properties, VAT will be levied at 11% (or 5% if simplified method is elected) on the rental income.

Land Use Tax ("LUT")

LUT will be levied on the use of land during the construction and sale of the real estate properties until the completion of sales. LUT will be calculated based on the actual area of land used by the property developer. The tax rate per square metre of land varies across different locations in different cities and it is currently RMB20 per square metre per annum for properties located in Yuzhong District, Chongqing, the PRC.

Real Estate Tax ("RET")

RET is calculated at 1.2% of 70% to 90% of the original cost of the real estate, or 12% on rental income.

FINANCIAL EFFECT OF THE ACQUISITION

The principal business of the Group will remain the same after Completion. Following Completion, the Target Group will become wholly-owned subsidiaries of the Company and the financials of the Target Group will be consolidated into those of the Group.

Assets and liabilities

The audited consolidated total assets and total liabilities of the Group as at 31 March 2016 as extracted from the published annual report of the Company for the year ended 31 March 2016 were approximately HK$1,828.0 million and approximately HK$663.8 million respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming Completion had taken place on 31 March 2016, the unaudited pro forma total assets and total liabilities of the Enlarged Group would have been approximately HK$4,108.2 million and approximately HK$2,944.1 million respectively.

Earnings

As stated in the unaudited pro forma financial information of the Enlarged Group as contained in Appendix IV to this circular, the Enlarged Group's loss would become approximately HK$163.3 million for the year ended 31 March 2016 as if Completion had taken place on 1 April 2015, due to the Redevelopment of the Property during the year. In light of the future prospects of the Property as discussed in the section headed "Reasons for and benefits from the Acquisition — Commercial and residential property and consumer market in Chongqing, the PRC" below, the Directors are of the view that the Acquisition would be a good investment opportunity to diversify the Group's investment portfolio with an aim to create greater returns to the Shareholders.

It should be noted that the above financial effects of the Acquisition are for illustration purpose only. The actual financial effects of the Acquisition on the Enlarged Group may be different from the amounts presented in this section.

REASONS FOR AND BENEFITS FROM THE ACQUISITION

The Group is principally engaged in the development, sales and leasing of properties.

In February 2016, the Group entered into an agreement to sell its entire interest in a wholly-owned subsidiary which owns, manages and operates 27 blocks of industrial properties in Shenzhen, the PRC (the "**Disposal**"). The Disposal has been completed in March 2016.

Following the completion of the Disposal, China Pearls and Jewellery City ("**CP&J City**") in Zhuji, the PRC would become the sole project of the Group. As at the Latest Practicable Date, the Company intends to continue the operation of CP&J City and has no intention to dispose of it. In order to diversify the Group's existing business portfolio with growth potential and to broaden its source of income and eventually to create greater returns for the Shareholders, the Company has been proactively seeking for investment opportunities through potential mergers and acquisitions, especially in the provincial capital cities in the PRC, leveraging the Group's sound financial position and solid experience in property-related business.

Commercial and residential property and consumer market in Chongqing, the PRC

The Property is located at Yuzhong District, a prime area of Chongqing, the PRC.

As stated in the statistics available on the website of Chongqing Municipal Bureau of Statistics (the "**Statistics**"), (i) the total dollar value of the fixed asset investment in Chongqing amounted to approximately RMB1,548.0 billion for the year ended 31 December 2015, representing a year-on-year growth of approximately 17.1%; (ii) the dollar value of capital investment in real estate development in Chongqing amounted to approximately RMB375.1 billion for the year ended 31 December 2015, representing a year-on-year growth of approximately 3.3%; and (iii) the area of commodity housing sold in Chongqing was approximately 53.8 million square meters in 2015, representing a year-on-year increase of approximately 5.5%. As stated in a report conducted by Jones Lang LaSalle, a global real estate services firm, (i) the vacancy rate of office premises decreased by approximately 0.8% from the third quarter of 2015 to approximately 59.1% in the fourth quarter of 2015; and (ii) the number of sale of residential housing amounted to approximately 3,500 in the fourth quarter of 2015, which was nearly double compared to the previous quarter. In view of the above, the Board is of the view that the prospect of the commercial and residential property market in Chongqing is promising.

As further referred to the Statistics, (i) the gross domestic product in Chongqing amounted to approximately RMB1,572.0 billion for the year ended 31 December 2015, representing a year-on-year growth of approximately 11.0%; (ii) the average expenditure per citizen living in towns in Chongqing amounted to approximately RMB19,742 in 2015, representing a year-on-year growth of approximately 8.0%; and (iii) the dollar value of the sale of retail consumer products in Chongqing amounted to approximately RMB642.4 billion for the year ended 31 December 2015, representing a year-on-year growth of approximately 12.5%.

In addition, Chongqing is the intersection between Yangtze River economic belt and "The Belt and Road Initiative", which was proposed by the PRC government in 2013 to develop the connectivity and cooperation covering more than 60 countries among Asia, Europe and Africa. With the further development of "The Belt and Road Initiative" in the coming years, the Directors consider that a close business relationship between Chongqing and the countries among "The Belt and Road Initiative" would be built, bringing considerable economic benefit to Chongqing. On 15 April 2016, the State Council announced its approval of 《成渝城市群發展規劃》(in English, for identification purpose only, Chengdu-Chongqing Urban Agglomeration Development Plan), which is aimed to comprehensively develop the cities among Chengdu and Chongqing in order to facilitate "The Belt and Road Initiative".

After taking into account the positive market sentiment in the commercial and residential property and consumer market in Chongqing and the future economic prospect of Chongqing under the introduction of "The Belt and Road Initiative", the Directors are optimistic about the future prospect of the Redevelopment Project.

Business plan regarding the development, sale and lease of the Property

The location of the Property is in Jiefangbei (解放碑) business district of Yuzhong District and is close to Jiefangbei Walking Street, which is a pedestrian lane with numerous retail shops. Given the geographical location of the Property, the Company considers that the Property will benefit from the heavy pedestrian flow nearby and thus aim to develop the Property to become a new landmark in Yuzhong District.

The Property is currently under the Redevelopment (which started in the first quarter of 2015), which includes renovation without demolishing its building structure, from a commercial service building into a commercial/residential complex which will be held for sale and/or leasing purposes. It is expected that the Redevelopment will be completed by December 2016. After the completion of the Redevelopment, the Property will comprise apartments for sale and leasing, retail units and ancillary facilities/car parks.

In selling and leasing the apartments and the retail units, it is the Company's business strategy to divide the apartments and the retail units into several batches for sale and leasing based on their respective estimated market value, with the lowest estimated market value being the first batch and the highest estimated market value being the last batch. The Company targets to commence sale and leasing of the first batch of apartments and retail units in the first quarter of 2017. As at the Latest Practicable Date, no potential tenants had been identified by the Company.

Possible risks relating to the Acquisition

Possible hidden liabilities due to the Loss of Records

Additional liabilities, in addition to those which have already been recorded by the Target Group as at 31 December 2015, may incur by the Target Group due to the Loss of Records, details of which have been discussed in the section headed "Information of the Target Group — Books and records" above. In light of the above, the Vendor together with the Guarantor, pursuant to the Agreement, have agreed to fully or effectively indemnify the Company the losses, costs and expenses which the Company may incur or sustain from or in consequence of Kingstone's failure to properly maintain accounts, books, ledgers and other records of whatsoever in relation to the business. In other words, after Completion, although the Company may have to repay additional amount upon recognition of any off balance sheet liabilities from the Target Group, the Company is entitled to claim and receive corresponding indemnities from the Vendor. As such, no impact on the net assets of the Enlarged Group will result even if there are hidden liabilities which were not shown on the accounting records of the Target Group due to the Loss of Records. Based on the above, the Company considers that the risk from the Loss of Records are manageable.

Increase in interest-bearing liabilities and interest expenses

Currently, the Group has no outstanding bank or other borrowings. As stated in the accountant's report of the Target Group as set out in Appendix II to this circular, the Target Group had an outstanding loan balance of HK$960.0 million (being the Loan) with an effective interest rate of 8.1% per annum as at 31 December 2015. Taking into account the interests of the Loan and that of the Promissory Note which is interest-bearing at 8% per annum, the Directors estimate that an aggregate interest expense of approximately HK$171.2 million per year will be incurred by the Group upon Completion.

The Company will closely monitor and manage its financial position, and may decide whether to finance the repayment of the Loan, and/or the Promissory Note and/or the interest expenses by internal resources and/or carrying out fund raising activities, including but not limited to equity financing and/or debt financing as and when appropriate.

Going concern of the Target Group

Given the Target Group's net loss, net operating cash outflows and net liabilities for the years ended 31 December 2013, 2014 and 2015 and a capital commitment of approximately HK$311.5 million as at 31 December 2015, which are scheduled to be paid in the coming twelve months, the Target Group's ability to continue as a going concern may be uncertain. Should the Target Group be unable to operate as a going concern after Completion, the Enlarged Group will have to provide financial assistance to the Target Group, which may incur additional financial burden to the Enlarged Group.

In reviewing the cash flow projections of the Target Group as prepared by the directors of the Target Company, which indicate that the Target Group would have sufficient working capital to meet its financial obligations as and when they fall due in the next 12 months from 31 December 2015, the Directors would like to highlight the following major bases and assumptions:

(i) the Target Group is expected to only need to repay approximately HK$253.3 million in relation to the Redevelopment after 30 November 2017 based on a mutual agreement with the main contractor of the Redevelopment Project;

(ii) revenue is expected to be generated from the sale and/or lease of the Property from the first quarter of 2017;

(iii) the Vendor and its related parties will provide financial support to the Target Group, if necessary, up to an amount of HK$300 million so as to enable the Target Group to meet its liabilities as and when they fall due and to enable the Target Group to continue its business without a significant curtailment of operations for the period up to Completion Date or 30 June 2017, whichever is earlier; and

(iv) the Company will provide the Target Group with financial support so as to enable the Target Group to meet its liabilities as and when they fall due and to enable the Target Group to continue its business without a significant curtailment of operations upon Completion till 30 June 2017.

Summary

Despite the possible risks of the Acquisition, having considered the measures taken by the Company to minimise such risks and the future prospect of the Property as analysed in the sub-section headed "Commercial and residential property and consumer market in Chongqing, the PRC" above, particularly (i) the prestigious location the Property is erected within the central business district of Chongqing, the PRC; (ii) the promising commercial and residential property market in Chongqing, the PRC; (iii) the increasing consumption power in Chongqing; and (iv) the implementation of "The Belt and Road Initiative" which brings development opportunities to Chongqing, the PRC, the Directors consider that the Acquisition, which is considered to be in line with the Company's development strategies, represents a good investment opportunity for the Group to benefit from the returns to be generated from the Redevelopment Project and is in line with the Group's principal activity.

The Directors consider that the terms of the Agreement (including the terms of the Promissory Note) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE SGM

The Company will convene the SGM for the Shareholders to consider and, if thought fit, approve the Agreement (including the terms of the Promissory Note) and the transactions contemplated thereunder. A notice convening the SGM to be held at Lotus Room, 6/F, Marco Polo Hongkong Hotel, Harbour City, Tsimshatsui, Kowloon, Hong Kong on Friday, 15 July 2016 at 4:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular.

The votes of the Shareholders on the resolution for approving the Agreement (including the terms of the Promissory Note) and the transactions contemplated thereunder will be taken by way of poll at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner, the Guarantor and their respective associates are Independent Third Parties. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Agreement (including the terms of the Promissory Note) and the transactions contemplated thereunder.

Whether or not you are able to attend, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time of the meeting. Completion and return of the proxy form will not preclude you from attending and voting at the meeting or any adjournment thereof (as the case may be) should you so wish.

As Completion is conditional upon fulfilment of the conditions precedent set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in securities of the Company.

RECOMMENDATION

The Directors consider that the terms of the Agreement (including the terms of the Promissory Note) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement (including the terms of the Promissory Note) and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION

Financial information and management discussion and analysis of the Group for each of the four years ended 31 March 2013, 2014, 2015 and 2016 are respectively disclosed in (i) pages 46 to 144 and pages 14 to 18 of the annual report of the Company for the year ended 31 March 2013 respectively; (ii) pages 43 to 132 and pages 14 to 18 of the annual report of the Company for the year ended 31 March 2014 respectively; (iii) pages 43 to 152 and pages 12 to 15 of the annual report of the Company for the year ended 31 March 2015 respectively; and (iv) pages 2 to 22 and pages 23 to 27 of the annual result announcement of the Company dated 26 May 2016 respectively, which were published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.man-sang.com). Please refer to the relevant hyperlinks as stated below:

2013 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0710/LTN20130710172.pdf

http://msil.man-sang.com/pdf/int/annual/AnnualReport2013e.pdf

2014 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0606/LTN20140606352.pdf

http://msil.man-sang.com/pdf/int/annual/AnnualReport2014e.pdf

2015 annual report:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0603/LTN20150603681.pdf

http://msil.man-sang.com/pdf/int/annual/AnnualReport2015e.pdf

2016 annual result announcement:

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0526/LTN20160526785.pdf

http://msil.man-sang.com/pdf/int/ann/E20160526.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness is as follows:

Borrowings

As at the close of business on 30 April 2016, the Enlarged Group had outstanding bank and other borrowings of RMB800,000,000 (equivalent to approximately HK$960,000,000).

Financial guarantees

As at 30 April 2016, the Company issued corporate guarantees to a bank in respect of general banking facilities granted to its subsidiaries. To the extent of such banking facilities, no borrowing was drawn by the Company or any of its subsidiaries.

The Enlarged Group entered into a mortgage collaboration agreement with a bank in the PRC under which the Enlarged Group agreed to indemnify the bank for any failure by purchasers of the Enlarged Group's properties in CP&J City to repay the borrowings or interest to the bank for the period before and up to the bank registering the certificates of real estate ownership as collateral for the borrowings. As at 30 April 2016, the Enlarged Group has a maximum exposure on the guarantees of approximately HK$50,116,000.

As at 30 April 2016, certain investment properties with carrying amount of approximately HK$15,669,000 have been pledged to a PRC bank to secure a loan granted by the PRC bank to an independent third party.

As at 30 April 2016, the other loan was secured by properties, plant and equipment and properties under development for the fair value of RMB2,000,000,000 (equivalent to approximately HK$2,400,000,000). The other loan is carried at 8.1% and is denominated in RMB.

Banking facilities

As at 30 April 2016, the Enlarged Group had available banking facilities of HK$960,000,000 which had been fully utilised.

Disclaimer

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 30 April 2016. To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Enlarged Group since 30 April 2016 and up to the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the information as further described under the section headed "Reasons for and benefits from the Acquisition — Possible risks relating to the Acquisition" as set out in Letter from the Board of this circular, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the financial resources available to the Enlarged Group including internally generated funds and the available banking facilities, the Enlarged Group will have sufficient working capital for its present operating requirements and for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Enlarged Group focuses on the development, sales and leasing of properties in the PRC. During 2015, property sales volume and property price in small to medium cities in the PRC remained subdued and continued to be under downward adjustment pressure. Nevertheless, the Enlarged Group reported significant growth in revenue from the sale of properties in the CP&J City which was attributable to the completion of two residential apartments and a commercial complex where the relevant contracted sales were recognised during 2015. Rental income from the investment properties of the Enlarged Group continued to grow as a result of the improvement in rental rates during 2015.

The Enlarged Group is planning to develop a hotel which represents the last building construction of phase 1 of the CP&J City, however, the timing of which has yet to be determined. Besides, the Enlarged Group is also planning to roll out phase 2 of the development of CP&J City. The Enlarged Group is in the process of negotiating with the local government about the development plan and the proposed acquisition is subject to auction/tender processes. It is preliminarily proposed that phase 2 of CP&J City will comprise residential apartments, commercial buildings and a market centre, however the development plan may be amended subject to the finalisation of the negotiation which shall be agreed upon by both the Enlarged Group and the local government.

The Property located in Chongqing is currently under the Redevelopment which includes renovation without demolishing its building structure, from a commercial service building into a commercial/residential complex which will be held for sale and/or leasing purposes. It is expected that the Redevelopment will be completed by December 2016. After the completion of the Redevelopment, the Property will comprise apartments for sale and leasing, retail units and ancillary facilities/car parks.

In selling and leasing the apartments and the retail units, it is the Enlarged Group's business strategy to divide the apartments and the retail units into several batches for sale and leasing based on their respective estimated market value, with the lowest estimated market value being the first batch and the highest estimated market value being the last batch. The Enlarged Group targets to commence sale and leasing of the first batch of apartments and retail units in the first quarter of 2017.

The Enlarged Group is proactively looking for and market opportunities in the PRC and overseas to supplement its existing projects through mergers and acquisitions, so as to implement the Enlarged Group's strategy to invest in property-related projects. The Enlarged Group will continue to manage its liquidity vigilantly to maintain the cash flexibility in the prevailing unpredictable financial atmosphere.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

16 June 2016

The Directors
Man Sang International Limited

Dear Sirs,

We report on the financial information of Gloryear Investments Limited (the "Target Company") and its subsidiaries (together, the "Target Group"), which comprises the consolidated balance sheets as at 31 December 2013, 2014 and 2015, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Man Sang International Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 16 June 2016 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company.

The Target Company was incorporated in the British Virgin Islands on 1 July 2010 as an exempted company with limited liability under the Business Companies Act of the British Virgin Islands (2004).

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in Note 31 of Section II below.

No statutory audited financial statements have been prepared by the Target Company as there is no statutory requirement in its place of incorporation. The statutory audited financial statements of the other companies now comprising the Target Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 31 of Section II.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

The directors of the Target Company are responsible for the preparation of the consolidated financial statements of the Target Company for the Relevant Periods that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the interim report of the Company for the period ended 30 September 2015. The accounting policies applies in the interim report are consistent with those of the annual financial statements for the year ended 31 March 2015.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

BASIS FOR DISCLAIMER OF OPINION FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2014

Incomplete books and records of the hotel operation

Included in the financial information of the Target Group is the financial information of its hotel operation which was managed by a hotel operator during the period from 18 June 1998 to 30 June 2014 (the "Period"). As set out in Note 2(a)(i) to the financial information, the hotel operation was discontinued on 30 June 2014 upon the termination of the hotel operation arrangement with the hotel operator. The books and records of the hotel operation has been maintained and kept by the hotel operator, but were lost when the hotel building was vacant for redevelopment in July 2014. The directors of the Target Company were unable to access to the books and records of the hotel operation for the Period and they were unable to provide us with the necessary supporting documents for the transactions and balances relating to the hotel operation that have been reflected in the financial information. We were therefore unable to obtain sufficient appropriate audit evidence or perform alternative audit procedures to determine whether the recorded transactions and balances of the hotel operation as at 31 December 2013 and for the years ended 31 December 2013 and 2014 are free from material misstatements and whether all transactions have been accounted for during that period. As a result, we were unable to determine whether any adjustments were necessary to the financial information of the hotel operation and the elements making up the consolidated balance sheet as at 31 December 2013 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows and the related notes to the financial information of the Target Group for the years ended 31 December 2013 and 2014.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the financial information of the Target Group as at and for the years ended 31 December 2013 and 2014.

OPINION FOR THE YEAR ENDED 31 DECEMBER 2015

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the financial position of the Target Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended.

Emphasis of Matter

We draw attention to Note 2(a)(iii) to the financial information which indicates that the Target Group incurred net loss of HK$248,749,000, HK$309,799,000 and HK$129,322,000 for the years ended 31 December 2013, 2014 and 2015, respectively. It also reported net operating cash outflows of HK$395,587,000, HK$429,984,000 and HK$223,302,000 for the years ended 31 December 2013, 2014 and 2015, respectively. In addition, the total liabilities of the Target Group exceeded its total assets by HK$420,687,000, HK$730,486,000 and HK$839,361,000 as at 31 December 2013, 2014 and 2015, respectively. These conditions, along with other matters as set forth in Note 2(a)(iii), indicate the existence of a material uncertainty that may cast significant doubt about the Target Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

I FINANCIAL INFORMATION OF TARGET GROUP

The following is the financial information of Gloryear Investments Limited (the "Target Company") and its subsidiaries (together, the "Target Group") prepared by the directors of the Company as at 31 December 2013, 2014 and 2015 and for each of the years ended 31 December 2013, 2014 and 2015 (the "Financial Information").

(A) Consolidated income statements

		Year ended 31 December		
		2013	**2014**	**2015**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operation				
Revenue		—	—	—
Gross profit		—	—	—
Other income	*8*	—	1,322	3,598
Other (losses)/gains — net	*9*	(814)	(36,194)	2,352
Selling expenses	*10*	—	(6,053)	(15,334)
Administrative expenses	*10*	(123,975)	(68,222)	(21,104)
Operating loss		(124,789)	(109,147)	(30,488)
Finance income	*12*	1,717	132	92
Finance costs	*12*	(109,079)	(141,396)	(101,913)
Finance costs — net		(107,362)	(141,264)	(101,821)
Loss before income tax		(232,151)	(250,411)	(132,309)
Income tax credit	*13*	1,977	997	2,987
Loss for the year from continuing operation		(230,174)	(249,414)	(129,322)
Discontinued operation				
Loss for the year from discontinued operation	*30*	(18,575)	(60,385)	—
Loss for the year		(248,749)	(309,799)	(129,322)

(B) Consolidated statements of comprehensive income

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Loss for the year	(248,749)	(309,799)	(129,322)
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
Exchange difference on translation of foreign operations	(157)	—	20,447
Total comprehensive loss for the year, net of tax	(248,906)	(309,799)	(108,875)
Total comprehensive loss attributable to the equity holder of the Target Company for the year arising from:			
Continuing operation	(230,218)	(249,414)	(108,875)
Discontinued operation	(18,688)	(60,385)	—
	(248,906)	(309,799)	(108,875)

(C) Consolidated Balance Sheets

		As at 31 December		
		2013	2014	2015
	Note	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*17*	196,725	47,824	88,353
Deposits and prepayments	*18*	—	—	33,164
Prepaid lease payments	*16*	357,779	89,881	82,608
		554,504	137,705	204,125
Current assets				
Inventories		5,397	—	—
Properties under development	*15*	17,239	387,330	469,354
Financial assets at fair value through profit or loss	*19*	—	223,387	8,211
Trade and other receivables	*2(a)(i), 18*	497,424	483,780	9,457
Amounts due from related parties	*28*	395,867	289,017	70,011
Amount due from the immediate holding company	*28*	8	8	8
Amount due from a director of a subsidiary	*28*	94,712	101,420	—
Cash and cash equivalents	*2(a)(i), 21*	61,879	2,860	5,309
		1,072,526	1,487,802	562,350
Current liabilities				
Trade and other payables	*2(a)(i), 22*	178,658	212,015	144,195
Amounts due to related parties	*28*	360,231	354,566	25
Amount due to a director	*28*	46,355	207,779	—
Borrowings	*23*	29,058	1,535,215	—
		614,302	2,309,575	144,220
Net current assets/(liabilities)		458,224	(821,773)	418,130
Total assets less current liabilities		1,012,728	(684,068)	622,255

		As at 31 December		
		2013	**2014**	**2015**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Deferred income tax liabilities	*20*	47,415	46,418	41,308
Amount due to a director	*28*	—	—	460,308
Borrowings	*23*	1,386,000	—	960,000
		1,433,415	46,418	1,461,616
Net liabilities		(420,687)	(730,486)	(839,361)
DEFICITS				
Deficits attributable to owner of the Target Company				
Share capital	*24*	8	8	8
Reserves	*2(a)(i), 25*	(420,695)	(730,494)	(839,369)
Total deficits		(420,687)	(730,486)	(839,361)

(D) Consolidated Statements of Cash Flows

		Year ended 31 December		
		2013	2014	2015
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Cash used in operations	*26*	(315,125)	(297,860)	(115,217)
Interest paid		(80,462)	(132,124)	(108,085)
Net cash used in operating activities		(395,587)	(429,984)	(223,302)
Cash flows from investing activities				
Purchase of property, plant and equipment		(8,178)	(7,162)	(31,206)
Proceeds from disposals of property, plant and equipment	*26(a)*	55	6,163	—
Dividend received		—	1,322	3,598
Interest received		1,717	132	92
Advance to a related company		(179,700)	—	—
Net cash (used in)/generated from investing activities		(186,106)	455	(27,516)
Cash flows from financing activities				
Proceeds from borrowings		497,654	107,901	988,640
Repayment of borrowings		—	—	(905,580)
Amount due to a director		39,811	161,424	(12,910)
Amounts due to related parties		70,823	101,185	183,213
Net cash generated from financing activities		608,288	370,510	253,363
Net increase/(decrease) in cash and cash equivalents		26,595	(59,019)	2,545
Cash and cash equivalents at beginning of the year		34,418	61,879	2,860
Effect of foreign exchange rate changes		866	—	(96)
Cash and cash equivalents at end of the year		61,879	2,860	5,309

(E) Consolidated Statements of Changes in Equity

	Attributable to equity holder of the Target Company		
	Share capital	Reserves	Total
	HK$'000	*HK$'000*	*HK$'000*
Balance at 1 January 2013	8	(171,789)	(171,781)
Loss for the year	—	(248,749)	(248,749)
Other comprehensive loss:			
Exchange difference on translation of foreign operations	—	(157)	(157)
Total comprehensive loss for the year	—	(248,906)	(248,906)
Balances at 31 December 2013	8	(420,695)	(420,687)
Balance at 1 January 2014	8	(420,695)	(420,687)
Loss for the year	—	(309,799)	(309,799)
Total comprehensive loss for the year	—	(309,799)	(309,799)
Balances at 31 December 2014	8	(730,494)	(730,486)
Balance at 1 January 2015	8	(730,494)	(730,486)
Loss for the year	—	(129,322)	(129,322)
Other comprehensive income:			
Exchange difference on translation of foreign operations	—	20,447	20,447
Total comprehensive loss for the year	—	(108,875)	(108,875)
Balances at 31 December 2015	8	(839,369)	(839,361)

II NOTES TO THE FINANCIAL INFORMATION

1 General information

Gloryear Investments Limited (the "Target Company") is a limited liability company incorporated in the British Virgin Islands (the "BVI"). The address of its registered office is Wickham's Cay II, Road Town, Tortola, the BVI.

The Target Company is an investment holding company. The Target Company and its subsidiaries (together, the "Target Group") are engaged in property holding and hotel operation in the People's Republic of China (the "PRC").

During the year ended 31 December 2014, the Target Group discontinued its hotel operation on 30 June 2014 for redevelopment of its property in Chongqing ("Redevelopment") and deregistered its branch office in Chongqing, the PRC, on 29 September 2014. The financial performance of the hotel operation was classified as a discontinued operation during the years ended 31 December 2014 and 2013.

The Financial Information is presented in Hong Kong dollars ("HK$"), unless otherwise stated.

Particulars of the subsidiaries directly and indirectly held by the Target Company are set out in note 31 to the Financial Information.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The Financial Information of the Target Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The Financial Information has been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss which are carried at fair values.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4.

(i) Incomplete books and records of the hotel operation

The Target Group had entered into a management agreement with a hotel operator on 18 June 1998 ("Management Agreement"). Accordingly, the Target Group was divided into two divisions, namely, (i) property holding managed by the Target Group being the property owner itself ("Property Holding"); and (ii) hotel operation managed by the hotel operator ("Hotel Operation"). A branch office was set up to carry out the business of the Hotel Operation. Since then, the hotel operator was responsible for maintaining the books and records of the Hotel Operation and the Target Group was responsible for maintaining the books and records of the Property Holding division.

In February 2014, the Target Group requested for early termination of the Management Agreement in order to convert the property into a commercial/residential complex. Accordingly, the Target Group and the hotel operator entered into a termination agreement ("Termination Agreement") on 19 February 2014. The Hotel Operation was discontinued on 30 June 2014 and the branch office was also deregistered on 29 September 2014.

However, the books and records of the branch office were lost when the hotel building was vacant for the Redevelopment. As a result, the directors of the Target Company were unable to access to the books and records for the Hotel Operation, and the Financial Information for the period from 1 January 2013 to 30 June 2014 has been prepared based on the incomplete books and records available to the Target Group.

The relevant information relating to the financial performance of the Hotel Operation is described in Note 30. Because of the reasons stated in the preceding paragraph, the notes to the Financial Information represent the balances related to Property Holding only. Reconciliation of the Hotel Operation and Property Holding to the consolidated balance sheet as at 31 December 2013 is as follows:

	As at 31 December 2013			
	Hotel Operation	**Property Holding**	**Eliminations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	—	196,725	—	196,725
Prepaid lease payments	—	357,779	—	357,779
	—	554,504	—	554,504
Current assets				
Inventories	5,397	—	—	5,397
Properties under development	—	17,239	—	17,239
Trade and other receivables	5,668	491,756	—	497,424
Amounts due from related parties	—	395,867	—	395,867
Amount due from the immediate holding company	—	8	—	8
Amount due from a director of a subsidiary	—	94,712	—	94,712
Amount due from Property Holding	5,744	—	(5,744)	—
Cash and cash equivalents	20,002	41,877	—	61,879
	36,811	1,041,459	(5,744)	1,072,526
Current liabilities				
Trade and other payables	17,100	161,558	—	178,658
Amounts due to related parties	—	360,231	—	360,231
Amount due to a director	—	46,355	—	46,355
Amount due to Hotel Operation	—	5,744	(5,744)	—
Borrowings	—	29,058	—	29,058
	17,100	602,946	(5,744)	614,302
Net current assets	19,711	438,513	—	458,224
Total assets less current liabilities	19,711	993,017	—	1,012,728

	As at 31 December 2013			
	Hotel Operation	Property Holding	Eliminations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Deferred income tax liabilities	—	47,415	—	47,415
Borrowings	—	1,386,000	—	1,386,000
	—	1,433,415	—	1,433,415
Net assets/(liabilities)	19,711	(440,398)	—	(420,687)
EQUITY/(DEFICITS)				
Equity/(deficits) attributable to owner of the Target Company				
Share capital	—	8	—	8
Reserves	19,711	(440,406)	—	(420,695)
Total equity/(deficits)	19,711	(440,398)	—	(420,687)

(ii) Discontinued operation

Since the Hotel Operation was discontinued on 30 June 2014, the financial performance of the Hotel Operation was classified as a discontinued operation in the consolidated income statements for the years ended 31 December 2014 and 2013. The assets and liabilities related to the Hotel Operation were presented in respective balance sheet items as at 31 December 2013, whilst there were no assets or liabilities related to the Hotel Operation as at 31 December 2014 after the cessation of the Hotel Operation and the deregistration of the branch office during the year ended 31 December 2014.

(iii) Going concern

The Target Group incurred net loss of HK$248,749,000, HK$309,799,000 and HK$129,322,000 for the years ended 31 December 2013, 2014 and 2015, respectively. It also reported net operating cash outflows of HK$395,587,000, HK$429,984,000 and HK$223,302,000 for the years ended 31 December 2013, 2014 and 2015, respectively. In addition, the total liabilities of the Target Group exceeded its total assets by HK$420,687,000, HK$730,486,000 and HK$839,361,000 as at 31 December 2013, 2014 and 2015, respectively. Moreover, the Target Group had capital commitment of HK$311,496,000 as at 31 December 2015, which are scheduled to be paid in the coming twelve months.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern. The directors of Man Sang International Limited (the "Company") have reviewed the cash flow projections of the Target Group covering a period of not less than twelve months from 31 December 2015 prepared by the directors of the Target Company. The directors of the Company are of the opinion that, taking into account the following measures, the Target Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2015.

(1) In May 2016, a main contractor of the Target Group has undertaken and agreed to pay on behalf of the Target Group for construction costs in relation to the Redevelopment with a total amount of HK$253,267,000, that are payable by the Target Group to its subcontractors, of which HK$15,150,000 had been recorded as trade and other payables as at 31 December 2015 with the remaining amounts of

HK$238,117,000 representing capital commitments of the Target Group as at 31 December 2015. Pursuant to the above agreement with the main contractor, the main contractor has agreed not to demand repayment of the above amounts payable by the Target Group of HK$253,267,000 to the main contractor before 30 November 2017 (note 33).

(2) The Redevelopment is expected to be completed by December 2016 when the properties are expected to be ready either for sales or for leases, which will generate operating cash inflows to the Target Group.

(3) Tsoi Tung, the spouse of Wang Ming who is the ultimate shareholder of the Target Company, and Bloomage Land Limited, a related company of which Tsoi Tung is a director, have confirmed to provide the Target Group with financial support up to an amount of HK$300,000,000 so as to enable the Target Group to meet its liabilities as and when they fall due and to enable the Target Group to continue its business without a significant curtailment of operations for the period up to the completion date of the acquisition of the Target Group by the Company (the "**Transaction**") or 30 June 2017, whichever is earlier.

(4) The Company has confirmed to provide the Target Group with financial support so as to enable the Target Group to meet its liabilities as and when they fall due and to enable the Target Group to continue its business without a significant curtailment of operations upon the completion of the Transaction till 30 June 2017.

In the opinion of the directors of the Company, in light of the above, the Target Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2015. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the Financial Information on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Target Group can achieve the plans and measures described above. Whether the Target Group will be able to continue as a going concern would depend upon whether Tsoi Tung and Bloomage Land Limited will be able to provide sufficient financial supports to the Target Group as and when needed before the completion date of the acquisition of the Target Group by the Company; and whether the Target Group will be able to generate adequate operating cash inflows from the sales and/or leases of the Redevelopment properties in the expected timeframe. Should the Target Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Target Group's assets to their recoverable amounts, to provide for further liabilities which might arise; and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the Financial Information.

(b) Subsidiaries

(i) Consolidation

Subsidiaries are an entities (including a structured entity) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

Business combination

The Target Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of subsidiaries is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Target Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Target Group's accounting policies.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Information of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the ''functional currency''). The Financial Information are presented in Hong Kong dollar, which is the Target Company's functional and the Target Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year- end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(iii) Group companies

The results and financial position of all the Target Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation difference arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Target Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Target Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses, other than construction in progress, over their estimated useful lives from the date on which they are available for use and after taking into account of their estimated residual values or any subsequent change in useful lives, using the straight-line method, at the following rates per annum:

Buildings	2%
Leasehold improvements	25%–33%
Plant and machinery	20%–25%
Furniture, fixtures and equipment	25%
Motor vehicles	25%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Residual values and useful lives are reviewed at each reporting period.

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less impairment losses, if any. No depreciation is made on assets under construction in progress until such time as the relevant assets are completed and available for their intended use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains — net" in the consolidated income statement.

(e) Properties under development

Properties that are being constructed or developed for future use as held-for-sales are classified as properties under development and stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises construction costs, borrowing costs capitalised, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(f) Prepaid lease payments

Prepaid lease payments include up-front payments to acquire leasehold land and payments for lease of properties, where the leases are held under operating lease. Prepaid lease payments are stated at cost and are amortised on a straight-line basis over the period of the lease.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Discontinued operation

A discontinued operation is a component of the Target Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Target Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

The assets and liabilities that are to be abandoned are not classified as held for sale as their carrying amounts will be recovered through continuing use.

(i) Financial assets and liabilities

(i) Classification

The Target Group classifies its financial assets and liabilities in the following categories: financial assets at fair value through profit or loss, loans and receivables and other financial liabilities at amortised cost. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets, if expected to be settled within 12 months, otherwise they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Target Group's loans and receivables comprise deposits, trade and other receivables, amounts due from related parties, amount due from the immediate holding company, amount due from a director of a subsidiary and cash and cash equivalents in the consolidated balance sheet.

(c) Other financial liabilities at amortised cost

Other financial liabilities at amortised cost are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method. The Target Group's other financial liabilities at amortised cost comprise trade and other payables, amounts due to related parties, amount due to a director and borrowings in the consolidated balance sheet.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Target Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Target Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair values. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within — "Other (losses)/gains — net", in the period in which they arise. Dividend income from financial asset at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Target Group's right to receive payments is established.

(iii) Impairment of financial assets

Assets carried at amortised cost

The Target Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Target Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(j) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Target Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statement.

(k) Inventories

Hotel and restaurant inventories comprise consumables and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

(l) Cash and cash equivalents

In the consolidated cash flows statement, cash and cash equivalents comprise include cash in hand, deposits held at cash with banks and other short-term highly liquid investments with original maturities of three months or less.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Provisions and contingent liabilities

Provisions are recognised when the Target Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets, when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the assets for its intended use or sale are in progress. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(q) Segment reporting

Operating segments are reported in manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operation decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Target Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only when there is an agreement in place that gives the Target Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amount for the services in the ordinary course of the Target Group's activities. Revenue is shown net of value added tax. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Target Group's activities, as described below:

(i) Rental income

Rental income under operating leases is recognised in the period in which the properties are let out and on a straight- line basis over the term of the relevant lease.

(ii) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iii) Dividend income

Dividend income from investments is recognised when the rights to receive payments have been established.

(t) Employee benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Target Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Target Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Target Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Target Group in independently administered funds managed by the PRC government.

The Target Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(u) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use rights, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

3 Changes in accounting policy and disclosure

The following new standards, amendments to standards have been issued but are not effective for the financial year beginning after 1 January 2015 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 10 and HKAS 28 Amendment	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment entities: Applying the consolidation exception	1 January 2016
HKFRS 11 Amendment	Accounting for acquisitions of interests in joint operations	1 January 2016
HKAS 1 Amendment	Disclosure initiative	1 January 2016
HKAS 16 and HKAS 38 Amendment	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer plants	1 January 2016
HKAS 27 Amendment	Equity method in separate financial statements	1 January 2016
Annual Improvements Project	Annual improvements 2012–2014 cycle	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 16	Leases	1 January 2019

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

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

4 Critical accounting estimates and judgement

In the application of the Target Group's accounting policies, which are described in note 2, the Directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key areas of judgement that may have a significant impact in determining the carrying amounts of assets and liabilities.

Estimated useful lives of property, plant and equipment

The Target Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non- strategic assets that have been abandoned or sold.

Impairment of trade and other receivables

The Target Group's management determines the provision for impairment of trade and other receivables on a regular basis. This estimate is based on the credit history of its customers and prevailing market conditions. Management reassesses the provision for impairment of trade receivables at the balance sheet date.

Recoverability of properties under development

Management performs a regular review on the carrying amounts of properties under development. Based on management's review, write-down of properties under development will be made when the estimated net realisable value has declined below the carrying amount. In determining the net realisable value of properties under development, management refers to the latest economic measures introduced by the local government, recent global and local economic developments, recent sales transactions of the Target Group and other similar properties in the surrounding areas, marketability of the Target Group's existing properties, market survey reports available from independent property valuers, internally available information and management's expectation on future sales.

Income taxes

The Target Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Target Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Fair value of unlisted financial instruments through profit or loss

The fair value of financial assets through profit or loss that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Target Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Target Group has used Black Scholes Model to determine the fair value of financial assets through profit or loss that are not traded in active markets.

5 Capital risk management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Target Group reviews the capital structure periodically. As a part of this review, the Target Group considers costs of capital, its bank covenant obligations and the risks associated with issued share capital and may adjust its overall capital structure through the drawn down of bank borrowings, the repayment of existing borrowings or the adjustment of dividend to shareholders.

Consistent with others in the industry, the Target Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowing, amounts due to related parties and amount due to a director as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "total deficits" as shown in the consolidated balance sheet plus net debt.

	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Borrowings	1,415,058	1,535,215	960,000
Amounts due to related parties	360,231	354,566	25
Amount due to a director	46,355	207,779	460,308
Less: cash and cash equivalents	(61,879)	(2,860)	(5,309)
Net debt	1,759,765	2,094,700	1,415,024
Total deficits	(420,687)	(730,486)	(839,361)
Total capital	1,339,078	1,364,214	575,663
Gearing ratio	131%	154%	246%

The change in gearing ratio for the years ended 31 December 2013, 2014 and 2015 resulted primarily from loss incurred by the Target Group during the respective years.

6 Financial risk management objectives and policies

The Target Group's major financial instruments include financial assets at fair value through profit or loss, trade and other receivables, amounts due from related parties, amount due from the immediate holding company, amount due from a director of a subsidiary, cash and cash equivalents, trade and other payables, amounts due to related parties, amount due to a director and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments, include market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk, and the policies on how to mitigate these risks are set out below. The Target Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate measures to manage the Target Group's exposure to different risks arising from the use of financial instruments. Generally, the Target Group employs conservative strategies regarding its risk management. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Foreign exchange risk

The Target Group's foreign currency assets, liabilities and transactions are principally denominated in Chinese Renminbi ("RMB"). The Target Group is exposed to foreign currency risk arising from the movements in the exchange rates of these different currencies against the functional currencies of the Target Group entities. The Target Group manages its foreign currency risks by closely monitoring the movement of the foreign currency rates. The majority of assets and liabilities are denominated in HK$ and RMB.

For companies with HK$ as functional currency, the Target Group is exposed to fluctuation in exchange rates of RMB. At 31 December 2013, 2014 and 2015, if HK$ had weakened/strengthened by 5% against RMB with all other variables held constant, post-tax loss for the year would have been nil, nil and HK$30,000,000 higher/lower, respectively, mainly as a result of foreign exchange losses on translation of RMB denominated payables.

(ii) Interest rate risk

Except for the cash held at banks, the Target Group has no other significant interest bearing assets. The Target Group's income and operating cash flows are substantially independent of changes in market interest rates.

As at 31 December 2013, 2014 and 2015, the Target Group's exposure to interest rate risk relates primarily to variable-rate borrowings of nil, HK$107,901,000 and nil, respectively. Borrowings at variable rates expose the Target Group to cash flow interest rate risk which is partially offset by cash deposit held at variable rates.

The Target Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Target Group's interest rate risk is mainly concentrated on the fluctuation of market interest rates arising from the Target Group's borrowings.

At 31 December 2013, 2014 and 2015, if interest rates had been 25 basis points lower/higher with all other variables held constant, post-tax loss would have been approximately nil, HK$2,698,000 lower/higher and nil, respectively.

(iii) Price risk

The Target Group's financial assets at fair value through profit or loss represent investments in trading securities and derivatives and are measured at fair value at each balance sheet date. Therefore, the Target Group is exposed to equity securities price risk. The management manages this exposure by maintaining a diversified portfolio of investments with different characteristics.

The sensitivity analysis below is prepared to illustrate the Target Group's exposure to equity price risk at the reporting date. A 20% change is used when reporting the price risk internally to the management.

If the price of the trading securities had been 20% higher/lower, the post-tax loss for the years ended 31 December 2013, 2014 and 2015 would have been decreased/increased by approximately nil, HK$44,677,000 and HK$36,000, respectively.

If the price of the derivatives had been 20% lower, the post-tax loss would have been increased and the loss for the years ended 31 December 2013, 2014 and 2015 would have been increased by approximately nil, nil and HK$4,376,000, respectively.

(b) Credit risk

Credit risk mainly arises from trade and other receivables, amounts due from related parties, amount due from the immediate holding company, amount due from a director of subsidiaries, financial assets at fair value through profit or loss and cash and cash equivalents.

The carrying amounts of these trade and other receivables represent the Target Group's maximum exposure to financial assets.

To manage the risk, cash and cash equivalents and financial assets at fair value through profit or loss are placed and entered into with banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

The Target Group's historical experience in collection of trade and other receivables falls within the credit period and the directors are of the opinion that adequate provision for uncollectible trade receivables have been made in the Financial Information.

Management considers the credit risk for related parties balances to be minimal after considering the financial condition of the entities and its subsequent settlement. Management has performed assessment over the recoverability of the balances and management does not expect any losses from non-performance of these entities.

(c) Liquidity risk

The Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants, if any borrowing has been drawn.

As further detailed in Notes 2(a)(iii)(3) and (4), Tsoi Tung and Bloomage Land Limited have confirmed to provide the Target Group with financial support up to an amount of HK$300,000,000 so as to enable the Target Group to meet its liabilities as and when they fall due and to enable the Target Group to continue its business without a significant curtailment of operations for the period up to the completion date of the Transaction or 30 June 2017, whichever is earlier. Moreover, the Company has confirmed to provide the Target Group with financial support so as to enable the Target Group to meet its liabilities as and when they fall due and to enable the Target Group to continue its business without a significant curtailment of operations for the period upon the completion of the Transaction.

The following tables show the remaining contractual maturities at the balance sheet date of the Target Group's financial liabilities, based on undiscounted cash flows (include interest payments on the Target Group's borrowings computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Target Group can be required to pay.

Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
31 December 2013				
Trade and other payables	158,421	—	—	158,421
Amounts due to related parties	360,231	—	—	360,231
Amount due to a director	46,355	—	—	46,355
Borrowings and interest payments	163,374	1,448,091	—	1,611,465
	728,381	1,448,091	—	2,176,472
31 December 2014				
Other payables	187,468	—	—	187,468
Amounts due to related parties	354,566	—	—	354,566
Amount due to a director	207,779	—	—	207,779
Borrowings and interest payments	1,597,306	—	—	1,597,306
	2,347,119	—	—	2,347,119
31 December 2015				
Other payables	120,838	—	—	120,838
Amounts due to related parties	25	—	—	25
Amount due to a director	—	460,308	—	460,308
Borrowings and interest payments	77,760	77,760	997,495	1,153,015
	198,623	538,068	997,495	1,734,186

(d) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Target Group does not have any financial assets that was measured at fair value as at 31 December 2013.

The following table presents the Target Group's asset that was measured at fair values at 31 December 2014.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial asset at fair value through profit or loss				
— Trading securities	223,387	—	—	223,387

The following table presents the Target Group's assets that were measured at fair values at 31 December 2015.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Assets				
Financial assets at fair value through profit or loss				
— Trading securities	181	—	—	181
— Unlisted derivatives	—	8,030	—	8,030
	181	8,030	—	8,211

There were no significant transfers of financial assets between the fair value hierarchy classifications during the years.

7 Segment information

The Target Group determines its operating segments based on the reports reviewed by the directors that are used to make strategic decisions.

The Target Group has two reportable operating segments. The Target Group's operating businesses are structured and managed separately according to the nature of the operations. Each of the Target Group's reportable operating segment represents a strategic business unit that is subject to risks and returns that is different from the other reportable operating segment. Details of the reportable operating segment are as follows:

(i) Property Development — Development, sales and leasing of properties

(ii) Hotel Operation — Provision for hotel operation and management services

The measurement of profit and loss and assets of the operating segments are the same as those described in the summary of significant accounting policies. The directors evaluate the performance of the reportable segments based on a measure of revenue and revenue less all directly attributable costs.

The segment loss for the year included the cost of sales, selling and administrative expenses, other (losses)/gains — net and finance costs — net allocated to each operating segment.

The amounts provided to the directors with respect to total assets are measured in a manner consistent with that of the financial information. These assets are allocated based on the operations of the segment.

Segment assets included property, plant and equipment, prepaid lease payments, deposits and prepayments, properties under development, inventories, trade and other receivables and cash and cash equivalents.

Segment information about these businesses is presented below:

For the year ended 31 December 2013:

	Continuing operation — Property Development *HK$'000*	**Discontinued operation — Hotel Operation** *HK$'000*	**Total** *HK$'000*
Profit and loss items			
Segment revenue	—	131,874	131,874
Inter-segment revenue	—	—	—
Revenue from external customers	—	131,874	131,874
Segment operating loss	(124,757)	(18,554)	(143,311)
Finance income	1,717	—	1,717
Finance costs	(109,079)	(21)	(109,100)
Segment loss before income tax	(232,119)	(18,575)	(250,694)
Income tax credit	1,977	—	1,977
Segment loss for the year	(230,142)	(18,575)	(248,717)
As at 31 December 2013			
Balance sheet items			
Total segment assets	613,279	31,067	644,346
Total segment assets include:			
Additions to non-current assets (excluding long-term deposit and prepayments)	8,178	—	8,178
Other information:			
Depreciation	98,699	41,157	139,856
Amortisation of land use rights	—	11,941	11,941

For the year ended 31 December 2014:

	Continuing operation — Property Development	Discontinued operation — Hotel Operation	Total
	HK$'000	*HK$'000*	*HK$'000*
Profit and loss items			
Segment revenue	—	51,689	51,689
Inter-segment revenue	—	—	—
Revenue from external customers	—	51,689	51,689
Segment operating loss	(69,431)	(60,323)	(129,754)
Finance income	132	—	132
Finance costs	(136,396)	(62)	(136,458)
Segment loss before income tax	(205,695)	(60,385)	(266,080)
Income tax credit	997	—	997
Segment loss for the year	(204,698)	(60,385)	(265,083)
As at 31 December 2014			
Balance sheet items			
Total segment assets	526,276	—	526,276
Total segment assets include:			
Additions to non-current assets (excluding long-term deposits and prepayments)	7,162	—	7,162
Other information:			
Depreciation	49,912	20,923	70,835
Amortisation	—	6,042	6,042

For the year ended 31 December 2015:

	Continuing operation — Property Development *HK$'000*	Discontinued operation — Hotel Operation *HK$'000*	Total *HK$'000*
Profit and loss items			
Segment revenue	—	—	—
Inter-segment revenue	—	—	—
Revenue from external customers	—	—	—
Segment operating profit	40,947	—	40,947
Finance income	92	—	92
Finance costs	(96,368)	—	(96,368)
Segment loss before income tax	(55,329)	—	(55,329)
Income tax credit	2,987	—	2,987
Segment loss for the year	(52,342)	—	(52,342)
As at 31 December 2015			
Balance sheet items			
Total segment assets	676,569	—	676,569
Total segment assets include:			
Additions to non-current assets (excluding long-term deposits and prepayments)	39,543	—	39,543
Other information:			
Depreciation	162	—	162

A reconciliation of the reportable segment's loss to the loss for the year of the Target Group is as follows:

	2013 *HK$'000*	2014 *HK$'000*	2015 *HK$'000*
Segments loss before income tax for the year	(250,694)	(266,080)	(55,329)
Fair value change in financial assets at fair value through profit or loss	—	(40,976)	(74,792)
Dividend income	—	1,322	3,598
Corporate finance costs	—	(5,000)	(5,545)
Corporate expenses	(32)	(62)	(241)
Loss before income tax from discontinued operation	18,575	60,385	—
Loss before income tax for the year from continuing operation	(232,151)	(250,411)	(132,309)

A reconciliation of the reportable segments' assets to the Target Group's total assets is as follows:

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Total for segments assets	644,346	526,276	676,569
Unallocated:			
Trade and other receivables	491,756	483,780	9,457
Amounts due from related parties	395,867	289,017	70,011
Amount due from a director of a subsidiary	94,712	101,420	—
Financial assets at fair value through profit or loss	—	223,387	8,211
Other corporate assets	349	1,627	2,227
Total assets of the Target Group	1,627,030	1,625,507	766,475

The Target Group's revenue mainly derived from customers in the PRC. The two operating segments operated in the PRC and all non-current assets are located in the PRC. Accordingly, no analysis by geographical segment is provided. For the years ended 31 December 2013, 2014 and 2015, there are no single external customers contributed to more than 10% revenue of the Target Group.

8 Other income

Continuing operation

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Dividend income from financial assets at fair value through profit or loss	—	1,322	3,598

9 Other (losses)/gains — net

Continuing operation

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Fair value losses in financial assets at fair value through profit or loss	—	(40,976)	(74,792)
Gain on disposal of properties under development	—	—	78,992
Gain on disposals of property, plant and equipment	—	6,163	—
Others	(814)	(1,381)	(1,848)
	(814)	(36,194)	2,352

10 Expenses by nature

Continuing operation

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Depreciation	98,699	49,912	162
Travelling	7,853	7,452	8,289
Entertainment	4,886	7,312	7,936
Advertising expenses	—	—	4,865
Consultancy fees	5,879	1,218	3,628
Auditors' remuneration	172	359	216
Employee benefit expenses (including director's emoluments) *(note 11)*	4,809	5,243	8,711
Office expenses	969	1,291	632
Other tax related expenses	150	185	590
Others	558	1,303	1,409
Total selling and administrative expenses	123,975	74,275	36,438

11 Employee benefit expenses (including directors' emoluments)

Continuing operation

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Salaries, wages and other benefits	4,087	4,509	7,227
Pension costs-defined contribution plans and social security costs	722	734	1,484
	4,809	5,243	8,711

Five highest paid individuals

The five individuals with the highest emoluments in the Target Group for the years ended 31 December 2013, 2014 and 2015 do not include any directors of the Target Company. The emoluments of these individuals are as follows:

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Salaries, wages and other benefits	1,413	1,052	2,751
Pension costs-defined contribution plans and social security costs	173	290	123
	1,586	1,342	2,874

The number of the remaining individuals whose remuneration fell within the following bands is as follows:

	Number of employee		
	2013	2014	2015
Nil–HK$1,000,000	4	5	4
HK$1,000,001–HK$1,500,000	1	—	1

12 Finance income and costs

Continuing operation

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Finance income			
Bank interest income	1,717	132	92
Finance costs			
Interest expenses on borrowings	(109,499)	(144,318)	(108,085)
Amount capitalised on qualifying assets	420	2,922	6,172
	(109,079)	(141,396)	(101,913)
Finance costs — net	(107,362)	(141,264)	(101,821)

During the years ended 31 December 2013, 2014 and 2015, borrowing costs had been capitalised in property, plant and equipment and properties under development at capitalisation rate of 9%, 9% and 8%, respectively.

13 Income tax credit

Continuing operation

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Current tax	—	—	—
Deferred tax *(note 20)*	1,977	997	2,987
Income tax credit	1,977	997	2,987

The Target Company is a tax exempted company incorporated in the BVI. The Target Company's subsidiaries incorporated in Hong Kong and in the PRC are subject to Hong Kong profits tax and corporate income tax in the PRC, respectively.

The Hong Kong profits tax rate is 16.5% for the years ended 31 December 2013, 2014 and 2015. The Target Group and Company is not subject to any Hong Kong profits tax as it had no assessable income arising in and derived from Hong Kong during the years reported.

The Target Company's subsidiary incorporated in the PRC is subjected to a general tax rate of 25% for the years ended 31 December 2013, 2014 and 2015 on the assessable profits arising in or derived from the PRC. The Target Group is not subject to any corporate income tax as it had no assessable income arising in and derived from the PRC during the years reported.

The tax on the Target Group's loss before income tax differs from the theoretical amount that would arise using the tax rate applicable to loss of the Target Company as follows:

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Loss before income tax	(232,151)	(250,411)	(132,309)
Tax calculated at domestic income tax rate applicable to loss in the respective entities	(58,033)	(58,801)	(26,533)
— Expenses that are not deductible for tax purpose	34,104	32,886	23,836
— Tax losses for which no deferred income tax asset was recognised	25,906	26,912	5,684
Income tax credit	1,977	997	2,987

The weighted average applicable tax rate for the years ended 31 December 2013, 2014 and 2015 was 25%, 23% and 20%, respectively. The change is primarily due to changes in the profitability of the subsidiaries in the respective jurisdictions.

The Target Group did not recognise deferred income tax assets of HK$97,264,000, HK$104,321,000 and HK$87,167,000 during the years ended 31 December 2013, 2014 and 2015, in respect of tax losses amounting to HK$389,054,000, HK$417,283,000 and HK$348,668,000, respectively as it was not probable that future taxable income would be available against which the temporary differences could be utilised. Losses amounting to HK$44,657,000, HK$79,535,000, HK$99,878,000, HK$102,520,000 and HK$22,078,000 will expire in years ended 31 December 2016, 2017, 2018, 2019 and 2020, respectively.

14 Dividend

The directors do not recommend the payment of final dividend for the years ended 31 December 2013, 2014 and 2015.

15 Properties under development

Properties under development held as current assets represent properties which are developed with an intention for future sale.

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	—	17,239	387,330
Additions	16,724	20,085	110,868
Interest capitalised	310	2,154	4,549
Transfer from prepaid lease payments *(note 16)*	—	260,285	—
Transfer from property, plant and equipment *(note 17)*	—	87,567	—
Disposal	—	—	(11,948)
Exchange differences	205	—	(21,445)
At end of the year	17,239	387,330	469,354

The properties under development are all located in the PRC and expected to be completed and available for sale more than twelve months after the reporting period.

As at 31 December 2013, 2014 and 2015, the properties under development were pledged as security for borrowing facilities granted to the Target Group (note 23).

16 Prepaid lease payments

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	361,058	357,779	89,881
Transfer to properties under development *(note 15)*	—	(260,285)	—
Amortisation	(11,941)	(7,613)	(3,080)
Exchange differences	8,662	—	(4,193)
At end of the year	357,779	89,881	82,608

As at 31 December 2013, 2014 and 2015, the amortisation capitalised in construction in progress and charged to the consolidated income statements are as follows:

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Capitalised in construction in progress *(note 17)*	—	1,571	3,080
Charged to administrative expenses of discontinued operation *(note 30)*	11,941	6,042	—
Total	11,941	7,613	3,080

17 Property, plant and equipment

	Hotel building	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013							
Cost	221,643	405,518	392,693	111,286	2,329	—	1,133,469
Accumulated depreciation	(99,711)	(336,812)	(274,202)	(99,632)	(1,034)	—	(811,391)
Net book amount	121,932	68,706	118,491	11,654	1,295	—	322,078
Year ended 31 December 2013							
Opening net book amount	121,932	68,706	118,491	11,654	1,295	—	322,078
Additions	—	2,213	—	—	—	5,965	8,178
Interest capitalised	—	—	—	—	—	110	110
Depreciation	(4,033)	(47,838)	(79,957)	(7,865)	(163)	—	(139,856)
Disposals	—	—	—	—	(55)	—	(55)
Exchange differences	2,925	1,126	1,927	191	28	73	6,270
Closing net book amount	120,824	24,207	40,461	3,980	1,105	6,148	196,725
At 31 December 2013							
Cost	227,048	417,648	402,271	114,001	1,835	6,148	1,168,951
Accumulated depreciation	(106,224)	(393,441)	(361,810)	(110,021)	(730)	—	(972,226)
Net book amount	120,824	24,207	40,461	3,980	1,105	6,148	196,725

	Hotel building	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2014							
Opening net book amount	120,824	24,207	40,461	3,980	1,105	6,148	196,725
Additions	—	—	—	—	—	7,162	7,162
Interest capitalised	—	—	—	—	—	768	768
Amortisation capitalised	—	—	—	—	—	1,571	1,571
Depreciation	(2,023)	(24,207)	(40,461)	(3,980)	(164)	—	(70,835)
Transfer	(118,801)	—	—	—	—	31,234	(87,567)
Closing net book amount	—	—	—	—	941	46,883	47,824
At 31 December 2014							
Cost	—	—	—	—	1,835	46,883	48,718
Accumulated depreciation	—	—	—	—	(894)	—	(894)
Net book amount	—	—	—	—	941	46,883	47,824
Year ended 31 December 2015							
Opening net book amount	—	—	—	—	941	46,883	47,824
Additions	—	—	—	—	—	39,543	39,543
Interest capitalised	—	—	—	—	—	1,623	1,623
Amortisation capitalised	—	—	—	—	—	3,080	3,080
Depreciation	—	—	—	—	(162)	—	(162)
Exchange differences	—	—	—	—	(40)	(3,515)	(3,555)
Closing net book amount	—	—	—	—	739	87,614	88,353
At 31 December 2015							
Cost	—	—	—	—	1,748	87,614	89,362
Accumulated depreciation	—	—	—	—	(1,009)	—	(1,009)
Net book amount	—	—	—	—	739	87,614	88,353

As at 31 December 2013, 2014 and 2015, certain property, plant and equipment were pledged as security for borrowings granted to the Target Group (note 23).

For the year ended 31 December 2014, the Target Group has written off leasehold improvements of cost and accumulated depreciation of HK$417,648,000, plant and machinery of HK$402,271,000 and furniture, fixtures and equipment of HK$114,001,000, respectively.

18 Deposits, prepayments and other receivables

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
	Note 2(a)(i)		
Current			
Deposits	—	—	7,200
Other receivables — third parties	491,756	483,780	2,257
	491,756	483,780	9,457
Non-current			
Deposits for land use rights	—	—	13,284
Prepayments for constructions	—	—	19,880
	—	—	33,164

The fair values of deposits and other receivables approximate their carrying values. The carrying amounts of deposits and other receivables are denominated in the following currencies:

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
	Note 2(a)(i)		
RMB	491,748	483,780	22,737
HK$	8	—	4
	491,756	483,780	22,741

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

At each balance sheet date, the recoverability of the Target Group's deposits and other receivables are assessed based on the credit history of the debtors, their financial conditions and current market conditions. Based on past experience and the Target Group's assessment, management considers that no impairment provision is necessary in respect of the deposits and other receivables as there had not been a significant change in credit quality of such receivables and the balances are considered as fully recoverable. The Target Group does not hold any collateral as security.

19 Financial assets at fair value through profit or loss

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Trading securities, at fair value:			
Listed equity investments in Hong Kong	—	223,387	181
Unlisted derivatives	—	—	8,030
	—	223,387	8,211

Financial assets at fair value through profit or loss are presented on operating activities as part of changes in working capital on the consolidated statement of cash flows. Changes in fair values of financial assets at fair value through profit or loss are recorded as "Other (losses)/gains — net" in the consolidated income statement.

The fair values of the listed equity investments have been determined directly by reference to published price quotations in active markets. It is within level 1 of the fair value hierarchy.

The fair values of the unlisted derivatives are determined by the Black Scholes Model based on the price of the underlying securities as at the valuation date, the expected volatility, the risk free rate and the dividend yield. It is within level 2 of the fair value hierarchy.

20 Deferred income tax

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rates enacted or substantively enacted by the end of the reporting period in the respective jurisdictions.

The following is the deferred income tax liabilities recognised by the Target Group and movements thereon during the years ended 31 December 2013, 2014 and 2015.

	Fair value gains arising from revaluation of prepaid lease payments and property, plant and equipment at acquisition
	HK$'000
At 1 January 2013	48,239
Credited to consolidated income statement	(1,977)
Exchange differences	1,153
At 31 December 2013	47,415
Credited to consolidated income statement	(997)
At 31 December 2014	46,418
Credited to consolidated income statement	(2,987)
Exchange differences	(2,123)
At 31 December 2015	41,308

Deferred tax liabilities are expected to be recovered after more than 12 months.

21 Cash and cash equivalents

	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
	Note 2(a)(i)		
Cash at bank	41,826	2,854	5,308
Cash on hand	51	6	1
	41,877	2,860	5,309

The carrying amounts of the cash and cash equivalents approximate their fair values. The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
	Note 2(a)(i)		
RMB	41,549	1,263	3,111
HK$	328	1,597	2,198
	41,877	2,860	5,309

As at 31 December 2013, 2014 and 2015, the Target Group has cash at bank and on hand amounting to HK$41,536,000, HK$1,241,000, HK$3,090,000, respectively, which are denominated in RMB and held in the PRC. These cash and bank balances are subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

22 Other payables

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
	Note 2(a)(i)		
Deposit received	1,056	630	600
Accruals for constructions	—	9,822	75,052
Other payables and accruals	160,502	201,563	68,543
	161,558	212,015	144,195

The carrying amounts of other payables approximate their fair values. The carrying amounts of other payables are denominated in the following currencies:

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
	Note 2(a)(i)		
RMB	161,476	211,890	144,043
HK$	82	125	152
	161,558	212,015	144,195

23 Borrowings

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Current			
Bank borrowings *(note (a))*			
— Principal	—	107,901	—
Other loans *(note (b))*			
— Principal	—	1,386,000	—
— Interest payable	29,058	41,314	—
	29,058	1,535,215	—
Non-current			
Other loans *(note (b))*			
— Principal	1,386,000	—	960,000
Total borrowings	1,415,058	1,535,215	960,000

The Target Group's borrowings were repayable as follows:

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	29,058	1,535,215	—
Between 1 and 2 years	1,386,000	—	—
Between 2 and 5 years	—	—	960,000
	1,415,058	1,535,215	960,000

As at 31 December 2013, 2014 and 2015, the carrying amount of bank borrowings and other loans of HK$1,415,058,000, HK$1,535,215,000 and HK$960,000,000, respectively, are subject to an effective interest rate of 9%, 9% and 8.1% per annum.

(a) Bank borrowings

As at 31 December 2014, the Target Group's bank borrowings were secured by listed equity investments in Hong Kong with carrying amount of HK$223,387,000. The borrowings were settled as at 31 December 2015.

The carrying amounts of bank borrowings approximate their fair values. The bank borrowings were carried at HIBOR+7.5% per annum, and were denominated in HKD.

(b) Other loans

As at 31 December 2013, 2014 and 2015, the Target Group entered into various fund arrangements with certain financial institutions (the "Trustee"). Pursuant to the fund arrangements, the Trustee raised RMB denominated trust fund totaling RMB1,100,000,000, RMB1,100,000,000 and RMB800,000,000, respectively, (approximately equivalent to HK$1,386,000,000, HK$1,386,000,000 and HK$960,000,000, respectively) and advanced the entire amount to the Target Group to finance the Redevelopment. The fund arrangements were recognised as other loans.

As at 31 December 2013 and 2014, part of other loan of HK$882,000,000 and HK$882,000,000, respectively, was pledged by property, plant and equipment and properties under development of HK$126,972,000 and HK$46,883,000 and properties under development of HK$17,239,000 and HK$387,330,000, respectively. The other loan was carried at 7.8% per annum.

The remaining other loan of HK$504,000,000 and HK$504,000,000, respectively, were secured/ guaranteed as set out below and was carried at 13% per annum:

(i) property, plant and equipment and properties under development located in the PRC with carrying amounts of HK$126,972,000 and HK$17,239,000, respectively, as at 31 December 2013; and HK$46,883,000 and HK$387,330,000, respectively, as at 31 December 2014.

(ii) 10% equity interest in Chongqing Kingstone Co., Ltd. ("Kingstone"), a subsidiary of the Target Company.

(iii) guarantee return of at least 13% on the investment held by the immediate holding company of Kingstone.

The carrying amount of other loans approximate their fair values and were denominated in RMB.

As at 31 December 2015, the other loan was secured by properties, plant and equipment and properties under development of HK$87,614,000 and HK$469,354,000, respectively. The carrying amount of the other loan approximates its fair value. The other loan was carried at 8.1% and was denominated in RMB.

24 Share capital

	Number of shares			Share capital		
	2013	2014	2015	2013	2014	2015
				HK$'000	*HK$'000*	*HK$'000*
Authorised:						
Share of US$1 each	50,000	50,000	50,000	390	390	390
Issued and paid:	1,000	1,000	1,000	8	8	8

25 Reserve — Target Group

	Translation reserve *HK$'000*	Accumulated losses (Note) *HK$'000*	Total *HK$'000*
Balance at 1 January 2013	1,718	(173,507)	(171,789)
Loss for the year	—	(248,749)	(248,749)
Other comprehensive income:			
Exchange difference on translation of foreign operations	(157)	—	(157)
Total comprehensive income/(loss) for the year	(157)	(248,749)	(248,906)
Balances at 31 December 2013	1,561	(422,256)	(420,695)
Balance at 1 January 2014	1,561	(422,256)	(420,695)
Loss and comprehensive loss for the year	—	(309,799)	(309,799)
Balances at 31 December 2014	1,561	(732,055)	(730,494)
Balance at 1 January 2015	1,561	(732,055)	(730,494)
Loss for the year	—	(129,322)	(129,322)
Other comprehensive income:			
Exchange difference on translation of foreign operations	20,447	—	20,447
Total comprehensive income/(loss) for the year	20,447	(129,322)	(108,875)
Balances at 31 December 2015	22,008	(861,377)	(839,369)

Note:

The PRC companies are required to allocate 10% of the companies' net profit to a reserve fund until such fund reaches 50% of the companies' registered capital. The statutory reserve fund can be utilised upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital. As at 31 December 2013, 2014 and 2015, there is no such reserve fund due to accumulated losses.

26 Notes to consolidated statement of cash flows

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Loss before income tax including discontinued operations	(250,726)	(310,796)	(132,309)
Adjustments for:			
— Interest income	(1,717)	(132)	(92)
— Interest expenses	109,100	141,458	101,913
— Depreciation of property, plant and equipment of continuing operation	98,699	49,912	162
— Depreciation of property, plant and equipment of discontinued operation	41,157	20,923	—
— Amortisation of prepaid lease payments of discontinued operation	11,941	6,042	—
— Fair value loss in financial assets at fair value through profit or loss	—	40,976	74,792
— Gain on disposals of property, plant and equipment	—	(6,163)	—
— Dividend income	—	(1,322)	(3,598)
Operating cash flows before working capital changes	8,454	(59,102)	40,868
Change in working capital:			
— Financial assets at fair value through profit or loss	—	(264,363)	32,483
— Properties under development	(16,724)	(20,085)	(82,508)
— Inventories	355	5,397	—
— Trade and other receivables	(124,425)	13,644	(100,911)
— Amount due from a director of a subsidiary	(3,313)	(6,708)	—
— Trade and other payables	(179,472)	33,357	(5,149)
Cash used in operations	(315,125)	(297,860)	(115,217)

(a) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment and properties under development comprise:

	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Net book amount	55	—	—
Gain on disposals of property, plant and equipment	—	6,163	—
Proceeds from disposals of property, plant and equipment	55	6,163	—

(b) The principal non-cash transaction is the transfer agreement with a director of the Target Company over the balances due to related parties (note 28).

27 Capital commitment

The capital commitments outstanding as at 31 December 2013, 2014 and 2015 are as follows:

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Construction of a property			
Contracted but not provided for	37,357	70,625	311,496

28 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or joint control. Members of key management and their close family member of the Target Group are also considered as related parties.

As at 31 December 2015, the Target Company is wholly owned by Xinli Holding Limited, which is a company incorporated in the BVI and wholly owned by Wang Ming.

The following companies are related parties of the Target Group that had balances and/or transaction with the Target Group.

Name of the related party	Relationship with the Target Group
Bloomage Land Limited (華熙置地有限公司)	A company owned by a director of a subsidiary
北京鴻佳利佳工程諮詢服務有限公司	A company controlled by the same shareholder
Xinli Holdings Limited (鑫力控股有限公司)	The immediate holding company
廣微控股有限責任公司	A company controlled by the same shareholder

(a) Related party transaction

The office premises was provided by Bloomage Land Limited to the Target Group free of charge.

Save as disclosed elsewhere in the Financial Information, no significant transaction were carried out with related party during the years ended 31 December 2013, 2014 and 2015.

(b) Balances with related parties

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from related parties *(note i)*			
Bloomage Land Limited	232,067	125,217	70,011
北京鴻佳利佳工程諮詢服務有限公司	163,800	163,800	—
	395,867	289,017	70,011
Amount due from the immediate holding company *(note ii)*	8	8	8
Amount due from a director of a subsidiary *(note iii)*	94,712	101,420	—
Amount due to related parties *(note iv)*			
Bloomage Land Limited	(288,120)	(288,120)	—
廣微控股有限責任公司	(72,111)	(66,446)	(25)
	(360,231)	(354,566)	(25)
Amount due to a director *(note v)*	(46,355)	(207,779)	(460,308)

(b) Balances with related parties (continued)

note i The balances mainly represented funds advanced to the related parties. The balances were unsecured, interest-free and repayable on demand. The carrying values of these balances approximate their fair values due to their short maturities. The balances were denominated in RMB.

note ii The balance due from the immediate holding company was unsecured, interest-free and repayable on demand. The carrying value of the balances approximates its fair value due to its short maturities. The balance was denominated in HK$.

note iii The balance mainly represented funds advanced to a director of a subsidiary. The balance was unsecured, interest-free and repayable on demand. The carrying value of the balance approximates its fair value due to its short maturities. The balance was denominated in RMB. The balance has been transferred to a director of the Target Company on 30 December 2015 (note v).

note iv The balances mainly represented funds advanced from related parties. The balances were unsecured, interest-free and repayable on demand. The carrying values of these balances approximate their fair values due to their short maturities. The balances were denominated in RMB.

note v As at 31 December 2013 and 2014, balance was unsecured, interest-free and repayable on demand. On 30 December 2015, the Target Group entered into an agreement with a director of the Target Company of which the balances due to related parties of HK$306,731,000 were transferred to this director. As at 31 December 2015, the balances were unsecured, interest-free and were not repayable until twelve months from the balance sheet date. The carrying value of the balance approximates its fair value.

The carrying amounts of these balances are denominated in the following currencies:

	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
RMB	45,990	45,990	40,120
HK$	365	161,789	420,188
	46,355	207,779	460,308

(c) Key management compensation

During the years ended 31 December 2013, 2014 and 2015, key management compensations are equivalent to Directors' benefits and as disclosed in note 32.

29 Balance sheet and reserve movement of the Target Company

	As at 31 December		
	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current asset			
Interests in subsidiaries	10	10	306,695
	10	10	306,695
Current assets			
Amount due from the immediate holding company	8	8	8
Cash and cash equivalents	26	126	30
	34	134	38
Current liabilities			
Amount due to a subsidiary	10	10	—
Amount due to a director	30	131	—
Amount due to a related party	15	20	25
	55	161	25
Net current (liabilities)/assets	(21)	(27)	13
Total assets less current liabilities	(11)	(17)	306,708
Non-current liabilities			
Amount due to a director	—	—	306,731
Net liabilities	(11)	(17)	(23)
DEFICITS			
Deficits attributable to owner of the Target Company			
Share capital	8	8	8
Reserve *(note (a))*	(19)	(25)	(31)
Total deficits	(11)	(17)	(23)

Note (a): **Reserve of the Target Company**

	Accumulated losses *HK$'000*
At 1 January 2013	(13)
Loss for the year	(6)
At 31 December 2013	(19)
Loss for the year	(6)
At 31 December 2014	(25)
Loss for the year	(6)
At 31 December 2015	(31)

30 Discontinued operation

As set out in note 2(a)(ii) of the Financial Information, the Hotel Operation had been discontinued on 30 June 2014. The losses for the period from 1 January 2014 to 30 June 2014 and for the year ended 31 December 2013 from the discontinued operation are analysed as follows:

	For the year ended 31 December 2013 *HK$'000*	For the period from 1 January 2014 to 30 June 2014 *HK$'000*
Revenue	131,874	51,689
Cost of sales	(59,139)	(28,850)
Gross profit	72,735	22,839
Other gains/(losses) — net	6,950	(34,116)
Selling expenses	(4,996)	(2,338)
Administrative expenses — depreciation	(41,157)	(20,923)
Administrative expenses — amortisation	(11,941)	(6,042)
Administrative expenses — others	(40,145)	(19,743)
Operating loss	(18,554)	(60,323)
Finance cost	(21)	(62)
Loss before income tax	(18,575)	(60,385)
Income tax expense	—	—
Loss for the year/period	(18,575)	(60,385)

The cash flows for the period from 1 January 2014 to 30 June 2014 and for the year ended 31 December 2013 from the discontinued operation are analysed as follows:

	For the year ended 31 December 2013	For the period from 1 January 2014 to 30 June 2014
	HK$'000	*HK$'000*
Operating cash flows	164	(6,005)
Total cash flows	164	(6,005)

31 Interests in subsidiaries — Target Company

	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	10	10	10
Amount due from a subsidiary	—	—	306,685
	10	10	306,695

As at 31 December 2013, 2014 and 2015, the Target Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place of establishment/ principal place of operation	Date of incorporation/ establishment	Nominal value of issued share capital/registered capital	Equity interest held by the Target Company						Principal activities	Note
				Directly			Indirectly				
				2013	2014	2015	2013	2014	2015		
New Bright Investment (Group) Limited	Hong Kong	15 October 2007	Ordinary HK$100,000	100%	100%	100%	—	—	—	Investment holding	(i)
Chongqing Kingstone Land Co., Ltd. ("重慶皇石置地有限公司")	The PRC	10 October 1997	Registered capital 2013: US$29,000,000 2014: US$67,689,400 2015: US$67,689,400	—	—	—	100%	100%	100%	Property development	(ii), (iii), (iv)

Note:

(i) No auditor has been appointed for the years ended 31 December 2013, 2014 and 2015.

(ii) Pursuant to the trust scheme with 北京國際信托有限公司 ("**北京信托**"), the Target Company's equity interest in Kingstone was reduced from 100% to 10% as at 31 December 2013 and further reduced to 4.3% as at 31 December 2014. In view of the substance of the arrangement, the directors are of their opinion that it is a loan arrangement and the Target Group continues to consolidate 100% of Kingstone and the contribution from 北京信托 is treated as a financial liability and measured at amortised cost using the effective interest method (note 23).

The Target Company's equity interest in Kingstone increased to 100% as at 31 December 2015 upon termination of the trust arrangement on 23 September 2015.

(iii) The statutory financial statement of the subsidiary for the years ended 31 December 2013 and 2014 were audited by Pan-China Certified Public Accountants.

The English name of the subsidiary represents the best effort by the management of the Target Company in translating its Chinese name as it does not have English name.

32 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(a) Directors' and chief executive's emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2013:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Target Company or its subsidiary undertaking								
Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Target Company or its subsidiary undertaking	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors									
TU Jianhua*	—	—	—	—	—	—	—	—	—
WANG Ming	—	—	—	—	—	—	—	—	—
XU Li*	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—

* *The directors of the Target Company resigned on 13 September 2013.*

For the year ended 31 December 2014:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Target Company or its subsidiary undertaking								
Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Target Company or its subsidiary undertaking	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
WANG Ming	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—

For the year ended 31 December 2015:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Target Company or its subsidiary undertaking								
Name	Fees	Salary	Discretionary bonuses	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Target Company or its subsidiary undertaking	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
WANG Ming	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	—	—	—	—

Note:

Wang Ming was also the chief executive of the Target Group during the years 31 December 2013, 2014 and 2015.

(b) *Directors' retirement benefits*

None of the directors received any retirement benefits during the years ended 31 December 2013, 2014 and 2015.

(c) *Directors' termination benefits*

None of the directors received any termination benefits during the years ended 31 December 2013, 2014 and 2015.

(d) *Consideration provided to third parties for making available directors' services*

The Target Company did not pay consideration to any third parties for making available directors' services during the years ended 31 December 2013, 2014 and 2015.

(e) *Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors*

There is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors during the years ended 31 December 2013, 2014 and 2015.

(f) *Directors' material interests in transactions, arrangements or contracts*

Save as disclosed in note 28 to the Financial Information, there are no significant transactions, arrangements and contracts in relation to the Target Company's business to which the Target Company was a party and in which a director of the Target Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the during the years ended 31 December 2013, 2014 and 2015.

33 Subsequent event

In May 2016, a main contractor of the Target Group has undertaken and agreed to pay on behalf of the Target Group for construction costs in relation to the Redevelopment with a total amount of HK$253,267,000, that are and will be payable by the Target Group to its subcontractors, of which HK$15,150,000 had been recorded as trade and other payables as at 31 December 2015 with the remaining amounts of HK$238,117,000 representing capital commitments of the Target Group as at 31 December 2015. Pursuant to the above agreement with the main contractor, the main contractor has agreed not to demand repayment of the above amounts payable by the Target Group of HK$253,267,000 to the main contractor before 30 November 2017.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Company or its subsidiaries in respect of any period subsequent to 31 December 2015 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Target Company or its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2013, 2014 and 2015, which is based on the accountant's report of the Target Group as set out in Appendix II to this circular.

GENERAL INFORMATION

The Target is an investment holding company incorporated in BVI with limited liability. New Bright, which is a wholly-owned subsidiary of the Target, is an investment holding company incorporated in Hong Kong with limited liability. Kingstone, which is a wholly-owned subsidiary of New Bright, is a company established in the PRC and owns the Property.

On 18 June 1998, the Target Group had entered into a management agreement with a hotel operator. Accordingly, the Target Group was divided into two divisions, namely, (i) property holding managed by the Target Group being the property owner itself ("**Property Development**"); and (ii) hotel operation managed by the hotel operator ("**Hotel Operation**"). On 30 June 2014, the Target Group discontinued its hotel operation for commencing the Redevelopment. The hotel operation has been classified as a discontinued operation during the years ended 31 December 2013 and 2014.

BUSINESS REVIEW

Year ended 31 December 2014 ("FY14") versus year ended 31 December 2013 ("FY13")

Continuing Operation

During FY13 and FY14, no revenue was generated from the Property Development business.

Other losses increased from approximately HK$0.8 million in FY13 to approximately HK$36.2 million in FY14. The balance in FY14 mainly represented the net balance of (i) fair value losses in financial assets at fair value through profit or loss of approximately HK$41.0 million and (ii) gain on disposals of property plant and equipment of approximately HK$6.2 million. No such gains/losses were recorded in FY13.

Selling and administrative expenses decreased from approximately HK$124.0 million in FY13 to approximately HK$74.3 million in FY14, representing a year-on-year drop of approximately 40.1%. Selling and administrative expenses mainly comprised depreciation, travelling expenses, entertainment and employee benefit expenses. The main reason for the significant decrease in balance was due to the drop in depreciation expense from approximately HK$98.7 million in FY13 to approximately HK$49.9 million in FY14 as the relevant property, plant and equipment have been fully depreciated in June 2014 upon the commencement of the Redevelopment Project.

Finance costs represented interest expenses on bank and other borrowings. The increase of finance cost from approximately HK$109.1 million in FY13 to approximately HK$141.4 million in FY14, or an approximately 29.6% year-on-year increase, was attributable to the comparatively higher average bank and other borrowings in FY14.

Loss for the year was approximately HK$230.2 million in FY13 and approximately HK$249.4 million in FY14. The comparatively higher balance in FY14 was mainly due to the net effect of (i) higher other losses and (ii) higher interest expenses which was partly offset by a drop in depreciation expenses.

Discontinued Operation

Revenue represented income generated from the provision of hotel operation and management services during FY13 and FY14. Due to the Redevelopment Project, the Hotel Operation was ceased in June 2014, which resulted in the significant decrease in revenue from approximately HK$131.9 million in FY13 to approximately HK$51.7 million in FY14, or a year-on-year drop of approximately 60.8%.

Selling and administrative expenses decreased by approximately 50% in FY14 from FY13 due to the cessation of the Hotel Operation in June 2014.

Loss for the year increased from approximately HK$18.6 million in FY13 to approximately HK$60.4 million in FY14 was mainly attributable to (i) revenue decreased by approximately 60.8% due to the cessation of Hotel Operation in June 2014 and (ii) compensation paid to the hotel operator in respect of the early termination of the Hotel Operation of approximately HK$23.2 million, severance payment paid to employees of Kingstone upon the cessation of hotel business of approximately HK$7.1 million and compensation paid to lessees for early termination of HK$3.7 million which are recorded in other losses.

Year ended 31 December 2015 ("FY15") versus FY14

Continuing Operation

During FY14 and FY15, no revenue was generated from the Property Holding business.

Other losses in FY15 primarily comprised (i) fair value losses in financial assets at fair value through profit or loss of approximately HK$74.8 million (FY14: approximately HK$41.0 million) and (ii) gain on disposal of properties under development of approximately HK$79.0 million (FY14: gain on disposal of property, plant and equipment of approximately HK$6.2 million).

Selling and administrative expenses decreased from approximately HK$74.3 million in FY14 to approximately HK$36.4 million in FY15, representing a year-on-year drop of approximately 51.0%. Selling and administrative expenses mainly comprised depreciation, travelling expenses, entertainment and employee benefit expenses. The main reason for the significant decrease in balance was due to the drop in depreciation expense from approximately HK$49.9 million in FY14 to approximately HK$0.2 million in FY15 as the relevant property, plant and equipment have been fully depreciated in June 2014 upon the commencement of the Redevelopment Project.

Finance costs represented interest expenses on bank and other borrowings. The decrease of finance cost from approximately HK$141.4 million in FY14 to approximately HK$101.9 million in FY15, or an approximately 27.9% year-on-year decrease, was attributable to the comparatively lower average bank and other borrowings in FY15.

Loss for the year was approximately HK$249.4 million in FY14 and HK$129.3 million in FY15. The comparatively lower balance in FY15 was mainly due to (i) a net other gain recorded in FY15 versus a net loss in FY14; (ii) significant drop in selling and administrative expenses in FY15 and (iii) lower interest expenses incurred.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, 2014 and 2015, the Target Group's current assets amounted to approximately HK$1,072.5 million (mainly comprising trade and other receivables and amount due from related parties), HK$1,487.8 million (mainly comprising properties under development, trade and other receivables and amounts due from related parties) and HK$562.4 million (mainly comprising properties under development and amounts due from related parties) respectively. As at 31 December 2013, 2014 and 2015, the Target Group's current liabilities amounted to approximately HK$614.3 million (mainly comprising amounts due to related parties and trade and other payables), HK$2,309.6 million (mainly comprising amounts due to related companies and bank loans) and HK$144.2 million (mainly comprising trade and other payables which was incurred by the construction cost for the Redevelopment) respectively.

As at 31 December 2013, 2014 and 2015, the Target Group had net current assets of approximately HK$458.2 million, net current liabilities of approximately HK$821.8 million and net current assets of approximately HK$418.1 million respectively. As at 31 December 2013, 2014 and 2015, the Target Group's current ratio, calculated by dividing current assets over current liabilities, were approximately 174.6%, 64.4% and 390.0% respectively.

CAPITAL STRUCTURE

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to operate and provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

As at 31 December 2013, 2014 and 2015, the carrying amount of bank borrowings amounted to nil, approximately HK$107.9 million and nil respectively. The bank borrowings as at 31 December 2014 were repayable within 1 year and were denominated in HKD. As at 31 December 2013, 2014 and 2015, the carrying amount of other loans amounted to approximately HK$1,415.1 million repayable within 2 years, HK$1,427.3 million repayable within 1 year and HK$960.0 million repayable between 2 and 5 years respectively. The other loans as at 31 December 2013, 2014 and 2015 were denominated in RMB. As at 31 December 2013, 2014 and 2015, the carrying amount of bank borrowings and other loans in aggregate of approximately HK$1,415.1 million, HK$1,535.2 million and HK$960.0 million, were subject to an effective interest rate of 9%, 9% and 8.1% per annum respectively.

As at 31 December 2013, 2014 and 2015, the cash and cash equivalents of the Target Group amounted to approximately HK$61.9 million, HK$2.9 million and HK$5.3 million respectively, which comprised cash on hand and in bank held by the Target Group.

As at 31 December 2013, 2014 and 2015, the total number of issued ordinary shares of the Target Group was 1,000 with a nominal value of US$1 each.

During the year, the Target Group funded its operations through borrowings.

GEARING RATIO

As at 31 December 2013, 2014 and 2015, the gearing ratio of the Target Group, calculated by dividing net debt (being total borrowings (including current and non-current borrowing, amounts due to related parties and amount due to a director) less cash and cash equivalents) by total capital (being total deficits plus net debt), were approximately 131%, 154% and 246% respectively. Please refer to note 5 of the accountant's report of the Target Group as set out in Appendix II to this circular for details of the calculation.

CHARGES ON ASSETS

As at 31 December 2013 and 2014, part of the Target Group's loan of HK$882.0 million and HK$882.0 million respectively, was pledged by (i) property, plant and equipment and properties under development of approximately HK$127.0 million and HK$46.9 million and (ii) properties under development of HK$17.2 million and HK$387.3 million, respectively, while the remaining Target Group's loan of HK$504.0 million and HK$504.0 million, respectively, were secured/guaranteed as set out below:

(i) property, plant and equipment and properties under development located in the PRC with carrying amounts of HK$127.0 million and HK$17.2 million, respectively, as at 31 December 2013; and HK$46.9 million and HK$387.3 million, respectively, as at 31 December 2014;

(ii) 10% equity interest in Kingstone; and

(iii) guarantee return of at least 13% on the investment held by New Bright.

As at 31 December 2014, the Target Group's bank borrowings of approximately HK$107.9 million were secured by listed equity investments in Hong Kong with carrying amount of approximately HK$223.4 million.

As at 31 December 2015, the Loan of HK$960.0 million was secured by properties, plant and equipment and properties under development of HK$87.6 million and HK$469.4 million respectively.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the three years ended 31 December 2013, 2014 and 2015, the Target Group did not have any material acquisition and disposal of subsidiaries and associated companies. As at 31 December 2013, 2014 and 2015, save for the Redevelopment Project, the Target Group did not hold any significant investments or plan for material investments or capital assets in future period.

EXCHANGE RISK AND HEDGING

During the three years ended 31 December 2013, 2014 and 2015, the majority of the Target Group's transactions, assets and liabilities are denominated in Renminbi and Hong Kong dollars. The Target Group is exposed to foreign currency risk arising from the movements in the exchange rates of these different currencies against the functional currencies of the Target Group's entities. The Target Group manages its foreign currency risks by closely monitoring the movement of the foreign currency rates. Accordingly, no financial instruments for hedging purposes have been used by the Target Group.

CONTINGENT LIABILITIES

As at 31 December 2013 and 2014 and 2015, the Target Group did not have any contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2013, 2014 and 2015, the Target Group recorded employee benefit expenses from the continuing operation (including salaries, wages and other benefits and pension costs) of approximately HK$4.8 million, HK$5.2 million and HK$8.7 million respectively. All employees were stationed in the PRC. The remuneration, promotion and salary increments of employees were assessed according to the individual's performance, as well as professional and working experience, and in accordance with prevailing industry practices.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2013, 2014 and 2015, the Target Group had capital commitment regarding construction of the Property which was contracted but not provided for of approximately HK$37.4 million, HK$70.6 million and HK$311.5 million respectively.

Save for the above, as at 31 December 2013, 2014 and 2015, the Target Group has no future plans for material investments or capital assets.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma financial information of the Enlarged Group (the ''Unaudited Pro Forma Financial Information''), including the unaudited pro forma consolidated balance sheet, the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, which have been prepared based on the notes set forth below to illustrate the effect of the Acquisition as if the Acquisition had taken place on 31 March 2016 for the unaudited pro forma consolidated balance sheet, and on 1 April 2015 for the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the ''Directors'') for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 March 2016 or 1 April 2015, where applicable, or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

(I) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

			Pro forma adjustments			
	Audited consolidated balance sheet of the Group as at 31 March 2016	Audited consolidated balance sheet of the Target Group as at 31 December 2015	Other pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*	
ASSETS AND LIABILITIES						
Non-current assets						
Investment properties	736,680	—				736,680
Investment properties under construction	63,360	—			1,339,958	1,403,318
Property, plant and equipment	179	88,353			246,127	334,659
Prepayments, deposits and other receivables	2,931	33,164				36,095
Prepaid lease payments	—	82,608			232,064	314,672
	803,150	204,125				2,825,424
Current assets						
Properties under development	38,553	469,354			(21,438)	486,469
Completed properties held for sale	296,745	—				296,745
Trade and other receivables	226,447	79,476		22,064		327,987
Financial assets at fair value through profit or loss	—	8,211				8,211
Restricted cash	703	—				703
Cash and cash equivalents	462,378	5,309			(305,000)	162,687
	1,024,826	562,350				1,282,802
Current liabilities						
Trade and other payables	354,279	144,220	8,030			506,529
Current income tax liabilities	136,868	—				136,868
	491,147	144,220				643,397
Net current assets	533,679	418,130				639,405
Total assets less current liabilities	1,336,829	622,255				3,464,829

			Pro forma adjustments			
	Audited consolidated balance sheet of the Group as at 31 March 2016	Audited consolidated balance sheet of the Target Group as at 31 December 2015	Other pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	*(note 5)*	
Non-current liabilities						
Deferred income tax liabilities	172,696	41,308			(41,308)	172,696
Promissory notes	—	—			1,168,000	1,168,000
Borrowings	—	960,000				960,000
Amount due to a director	—	460,308			(460,308)	—
	172,696	1,461,616				2,300,696
Net assets/(liabilities)	1,164,133	(839,361)				1,164,133
EQUITY/(DEFICITS)						
Equity/(deficits) attributable to equity holders of the Company						
Share capital	158,864	8			(8)	158,864
Reserves	849,187	(839,369)	(8,030)	22,064	825,335	849,187
	1,008,051	(839,361)				1,008,051
Non-controlling interests	156,082	—				156,082
Total equity/(deficits)	1,164,133	(839,361)				1,164,133

(II) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

		Pro forma adjustments			
	Audited consolidated income statement of the Group for the year ended 31 March 2016	**Audited consolidated income statement of the Target Group for the year ended 31 December 2015**	**Other pro forma adjustments**		**Unaudited pro forma consolidated income statement of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 6)*	
Revenue	190,698	—			190,698
Cost of sales	(83,082)	—			(83,082)
Gross profit	107,616	—			107,616
Other income	1,264	3,598			4,862
Other gains — net	22,769	2,352	(8,030)		17,091
Selling expenses	(4,981)	(15,334)			(20,315)
Administrative expenses	(28,652)	(21,104)			(49,756)
Increase in fair values of investment properties and investment properties under construction	5,938	—			5,938
Operating profit/(loss)	103,954	(30,488)			65,436
Finance income	4,305	92			4,397
Finance costs	(2,170)	(101,913)		(93,440)	(197,523)
Finance income/(costs) — net	2,135	(101,821)			(193,126)
Share of profit of an associate	15	—			15
Profit/(loss) before income tax	106,104	(132,309)			(127,675)
Income tax (expense)/credit	(38,623)	2,987			(35,636)
Profit/(loss) for the year	67,481	(129,322)			(163,311)

(III) Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Enlarged Group

		Pro forma adjustments			
	Audited consolidated statement of comprehensive income of the Group for the year ended 31 March 2016	**Audited consolidated statement of comprehensive income of the Target Group for the year ended 31 December 2015**	**Other pro forma adjustments**		**Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	*(note 6)*	
Profit/(loss) for the year	67,481	(129,322)	(8,030)	(93,440)	(163,311)
Other comprehensive (loss)/income:					
Items that may be reclassified to profit or loss					
Exchange difference on translation of foreign operations	(42,201)	20,447			(21,754)
Release of exchange reserve upon disposal of subsidiaries	(20,349)	—			(20,349)
Other comprehensive (loss)/income for the year	(62,550)	20,447			(42,103)
Total comprehensive income/(loss) for the year, net of tax	4,931	(108,875)			(205,414)
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company	278	(108,875)			(210,067)
Non-controlling interests	4,653	—			4,653
	4,931	(108,875)			(205,414)

(IV) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

		Pro forma adjustments		
	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2016	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2015	Other pro forma adjustments	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 5)*	
Cash flows from operating activities				
Cash generated from/(used in) operations	53,736	(115,217)		(61,481)
Interest paid	(3,461)	(108,085)		(111,546)
Income taxes paid	(9,445)	—		(9,445)
Net cash generated from/(used in) operating activities	40,830	(223,302)		(182,472)
Cash flows from investing activities				
Purchase of property, plant and equipment	(448)	(31,206)		(31,654)
Proceeds from financial assets at fair value through profit or loss, net	11,667	—		11,667
Net cash outflow upon disposal of subsidiaries	(57,034)	—		(57,034)
Dividend received	—	3,598		3,598
Interest received	4,305	92		4,397
Acquisition of the Target Group	—	—	(305,000)	(305,000)
Decrease in the restricted cash	99,297	—		99,297
Net cash generated from/(used in) investing activities	57,787	(27,516)		(274,729)

		Pro forma adjustments		
	Audited consolidated statement of cash flows of the Group for the year ended 31 March 2016	Audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2015	Other pro forma adjustments	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
	(note 1)	*(note 2)*	*(note 5)*	
Cash flows from financing activities				
Issue of new shares	279,692	—		279,692
Proceeds from borrowings	—	988,640		988,640
Repayments of borrowings	(173,250)	(905,580)		(1,078,830)
Amount due to a director	—	(12,910)		(12,910)
Amounts due to related parties	—	183,213		183,213
Net cash generated from financing activities	106,442	253,363		359,805
Net increase/(decrease) in cash and cash equivalents	205,059	2,545		(97,396)
Cash and cash equivalents at beginning of the year	264,265	2,860		267,125
Effect of foreign exchange rate changes	(6,946)	(96)		(7,042)
Cash and cash equivalents at end of the year	462,378	5,309		162,687

(V) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The unadjusted audited consolidated balance sheet as at 31 March 2016, the unadjusted audited consolidated income statement, the unadjusted audited consolidated statement of comprehensive income and the unadjusted consolidated statement of cash flows of the Group for the year ended 31 March 2016 are extracted from published annual report of the Company for the year ended 31 March 2016.

2. The audited consolidated balance sheet of the Target Group as at 31 December 2015, the audited consolidated income statement, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 December 2015 are extracted from the financial information of the Target Group as set out in Appendix II to this circular.

3. Pursuant to the sales and purchase agreement dated 8 April 2016 (the "Agreement"), the Company and the Vendor have agreed that any gains or losses arising from the derivatives, which had been recognised as financial assets at fair value through profit or loss as at 31 December 2015, shall be paid to or borne by the Vendor. As at 31 December 2015, the derivatives were valued at HK$8,030,000, which had been recognised as financial assets at fair value through profit or loss in the consolidated balance sheet of the Target Group and fair value gains of the same amount arising thereon had been credited to the consolidated income statement of the Target Group for the year then ended. The adjustment represents the fair value gains arising from the derivatives which shall be payable to the Vendor after the completion of the Acquisition.

4. The adjustment represents the provisions for termination expenses in connection with the termination of the hotel operation of HK$22,064,000 recognised by the Target Group during the year ended 31 December 2015 which are indemnified by the Vendor pursuant to the Agreement.

5. For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the directors of the Company considered the substance of the Acquisition is an acquisition of assets. As a result, the difference between the consideration paid and the existing carrying amount of net assets acquired was recognised as a fair value surplus adjustment to the carrying amount of properties under development, property, plant and equipment, prepaid land leases and investment properties under construction based on their relative fair values. Such a transaction or event does not give rise to goodwill.

	HK$'000
Consideration for the Acquisition *(note (i))*	
Cash	300,000
Promissory note	1,168,000
Directly attributable costs *(note (ii))*	5,000
	1,473,000
Identifiable assets and liabilities acquired:	
Net liabilities of the Target Group	(839,361)
Amount due to a director *(note (i))*	460,308
Payable to the Vendor in relation to the financial assets at fair value through profit or loss held by the Target Group *(note 3)*	(8,030)
Provision for termination expenses indemnified by the Vendor *(note 4)*	22,064
Reversal of deferred tax liabilities *(note (iii))*	41,308
Fair value adjustments of properties under development, property, plant and equipment, prepaid land leases and investment properties under construction *(note (iv))*	1,760,424
Allocation of fair value surplus adjustments to properties under development, property, plant and equipment, prepaid land leases and investment properties under construction *(note (iv))*	36,287
	1,473,000

(i) Pursuant to the Agreement, the consideration of the acquisition of the entire issued share capital of the Target and all amounts due and owing by the Target Group to the Vendor at completion of the Acquisition is HK$1,468,000,000 which will be satisfied by a combination of cash of HK$300,000,000 and a promissory note of HK$1,168,000,000. As at 31 December 2015, the Target Group had an amount due to a director of HK$460,308,000.

(ii) The adjustment represents the estimated legal and professional fees and other expenses of approximately HK$5,000,000 payable by the Company which is directly attributable to the Acquisition and treated as part of the cost of acquisition.

(iii) The adjustment represents the reversal of the deferred tax liabilities recognised by the Target Group as at 31 December 2015 in respect of the taxable temporary differences that arising from the properties under development, property, plant and equipment and prepaid land leases before the Acquisition. In accordance with HKAS 12 Income Taxes, deferred tax liabilities shall not be recognised for all taxable temporary differences if it is arising from the initial recognition of an asset in a transaction which is not a business combination, and at that time of the transaction, affects neither accounting profit nor taxable profit.

(iv) The pro forma adjustments to properties under development, property, plant and equipment, prepaid land leases and investment properties under construction are calculated as follows:

	Carrying values as at 31 December 2015	**Fair value adjustments**	**Reclassification**	**Fair value as at 31 December 2015**	**Allocation of fair value surplus adjustments**	**Total adjustments**
		(note (a))	*(note (b))*		*note ((c))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(A)	(B)		(C)	(A)+(B)+(C)
Properties under development	469,354	1,291,891	(1,320,000)	441,245	6,671	(21,438)
Property plant and equipment *(Note (d))*	87,614	241,156	—	328,770	4,971	246,127
Prepaid land leases	82,608	227,377	—	309,985	4,687	232,064
Investment properties under construction	—	—	1,320,000	1,320,000	19,958	1,339,958
	639,576	1,760,424	—	2,400,000	36,287	1,796,711

(a) The directors have made reference to the valuation report prepared by the independent valuer, APAC Asset Valuation and Consulting Limited for the value of the property of RMB2,000,000,000 (equivalent to approximately HK$2,400,000,000).

(b) In the Unaudited Pro Forma Financial Information, properties under development had been reclassified to investment properties under construction in accordance with HKAS 40 *Investment Properties* as the directors of the Company have yet to determine their future use of either sale or lease.

(c) The fair value surplus adjustments of HK$36,287,000 are allocated to properties under development, property, plant and equipment, prepaid land leases and investment properties under construction on the basis of their relative fair values.

(d) As at 31 December 2015, the carrying value of property, plant and equipment of the Target Group was HK$87,614,000, excluding motor vehicles of HK$739,000.

Since the fair values of the assets and liabilities of the Target Group at the Completion date may be substantially different from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identified net assets to be recognised in connection with the Acquisition may be different from the amounts presented and the differences may be significant.

The adjustment also includes consolidation entries for the elimination of investment cost, share capital and reserve of the Target Group.

For the purpose of the Unaudited Pro Forma Financial Information, the directors have assessed whether there is any indication of impairment in respect of the assets with reference to the principles in Hong Kong Accounting Standard 36 "Impairment of Assets". Based on the directors' assessment, the directors consider that there is no indication of impairment on the assets.

6. The promissory note in the principal amount of HK$1,168,000,000 issued in connection with the Acquisition is subject to interest rate at 8% per annum and will mature three years from the date of the promissory note. The adjustment represents the interest expense of HK$93,440,000 to be charged to the unaudited pro forma consolidated income statement.

7. Other than the above adjustments, no adjustment has been made to reflect any trading result or other transactions of the Group and the Target Group entered into subsequent to 31 March 2016.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Man Sang International Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Man Sang International Limited (the "Company") and its subsidiaries (collectively the "Group"), and Gloryear Investments Limited and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 31 March 2016, the unaudited pro forma consolidated income statement for the year ended 31 March 2016, the pro forma consolidated statement of comprehensive income, the pro forma consolidated cash flow statement for the year ended 31 March 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-2 to IV-10 of the Company's circular dated 16 June 2016, in connection with the proposed acquisition of the Target Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-8 to IV-10.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 31 March 2016 and the Group's financial performance and cash flows for the year ended 31 March 2016 as if the Transaction had taken place at 31 March 2016 and 1 April 2015 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 March 2016, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 March 2016 or 1 April 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 16 June 2016

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from APAC Asset Valuation and Consulting Limited, an independent professional valuer, in connection with its opinion of market value of the Property (having taken into account the Redevelopment) as at 31 March 2016.

APAC Asset Valuation and Consulting Limited
Units 07-08, 17/F, Loon Kee Building, 267 – 275 Des Voeux Road Central, Hong Kong
Tel: (852) 2357 0059
Fax: (852) 2951 0799

The Directors
Man Sang International Limited
Suite 2201, 22/F
Sun Life Tower
The Gateway
15 Canton Road
Tsim Sha Tsui
Kowloon, Hong Kong

16 June 2016

Dear Sirs,

In accordance with instructions from Man Sang International Limited (the "**Company**") for us to value the property interests held by Chongqing Kingstone Land Co., Ltd. ("**Kingstone**"), with details stated in the valuation certificate attached, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 March 2016 (the "**Date of Valuation**") for public circular in respect of the proposed acquisition.

VALUATION BASIS

Our valuation is our opinion of Market Value which is defined by The Hong Kong Institute of Surveyors ("**HKIS**") Valuation Standards to mean "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This valuation is complied with the HKIS Valuation Standards (2012 Edition) published by the HKIS. We have also complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

VALUATION ASSUMPTIONS

Pursuant to the conditions of the sale and purchase agreement regarding Kingstone (the "**Agreement**"), the sale and purchase of its sale shares and sale loan are conditional upon the satisfaction of there is no material legal obstacle for Kingstone to obtain a land use right certificate extending the land use right of the property to August 2053. Therefore, based on the instruction from the Company, we have assumed that the land use rights of the property has be extended to August 2053 during our valuation.

Pursuant to Clause 9.3 of the Agreement, "in the event that the Valuation Report obtained prior to the Completion Date showing the value of the Land is less than RMB2,000 million, either Party shall be entitled to terminate this Agreement". And, as instructed by Kingstone, portion of the property as mentioned in Note 3 of our Valuation Certificate is in the scope of valuation with assuming that proper title has been obtained. Therefore, we have valued such portion of the property with assuming that it has been acquired by Kingstone with all the consideration and relevant frees have been settled.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the property.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free of encumbrances, restrictions, outgoings of onerous nature and public information which could affect its value.

To the extent that any of these assumptions or facts changed, the result of our valuation would be different.

VALUATION METHODOLOGY

We have valued the property on the basis that it will be developed and completed in accordance with the latest development proposal to us. We have assumed that all consents, approvals and licenses from relevant government authorities for these proposals have been obtained without onerous conditions or delays. In arriving at our opinion of value, we have adopted the Direct Comparison Method by making reference to the comparable sales transaction and asking prices as available in the relevant market or by Income Capitalization Method based on the capitalization of the net income derived from the market rental comparables with due allowance for reversionary income potential of the property until August 2053, the assumed land use term expire date. A gross yield of approximately 8% was adopted after considering gross yield of the similar comparable properties (serviced apartments) in the same district. We have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

TITLE AND ASSUMPTIONS

We have been provided with copies of extracts of title documents relating to the property. However, we have not caused title searches to be made for the property interest at the relevant government bureaus in the PRC and we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest in the PRC, we have relied on the legal opinion (the "**PRC legal opinion**") provided by the Company's PRC legal adviser, King and Wood Mallesons.

SOURCE OF INFORMATION

We have relied to a considerable extent on information given by the Company, in particular, but not limited to, planning approvals, development schemes and schedule, incurred and outstanding development costs, statutory notices, easements, site and floor areas (including, but not limited to, gross floor areas, saleable floor areas, lettable floor areas, etc.), historical operation data. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us.

SITE INSPECTIONS

Site inspection of the property was carried by Mr. Ben Lee, with over 10 years valuation experience on properties in Asian Pacific region, including Hong Kong, China, Taiwan, etc. on 23 March 2016. We have inspected the exterior and, where possible, the interior of the property. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plan handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspection, we did not notice any serious defects. However, no structural survey has been made and we are therefore unable to report as to whether the property is or not free of rot, infestation or any other structural defects. No tests have been carried out on any of the services. Neither have we carried out site investigation to determine the suitability of the ground conditions or the services for any property development thereon. No structural survey has been carried out and it was not possible to inspect the wood work and other parts of the structures which were covered, unexposed or inaccessible. We are therefore, unable to report that the property is free of rot, infestation or any structural defects. No tests have been carried out on any of the building services.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

LIMITATION OF LIABILITIES

This report is issued on the understanding that you have drawn our attention to all matters of which they are aware concerning the property which may have an impact on our report up to the Date of Valuation. We have no responsibility to update this report for events and circumstances occurring after the date of completion of our assessment after Date of Valuation but will be pleased to discuss further instructions as may be required.

MANAGEMENT CONFIRMATION OF FACTS

A draft of this report and our calculation has been sent to the management of the Company. They have reviewed and orally confirmed to us that facts as stated in this report and calculation are accurate in all material respects and that they are not aware of any material matters relevant to our engagement which have been excluded.

CURRENCY AND EXCHANGE RATE

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi ("**RMB**").

Our valuation certificates are attached.

Yours faithfully,
For and on behalf of
APAC Asset Valuation and Consulting Limited
Ken Wong
MHKIS, MCIREA, RPS (GP)
Director

Note: Mr. Ken Wong is a Registered Professional Surveyor in General Practice Division of HKIS with over 16 years valuation experience on properties in Asian Pacific region, including Hong Kong, Taiwan, the PRC, etc.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2016
Portion of Marriot Apartment, 77 Qingnian Road, Yuzhong District, Chongqing, The PRC	The property comprises portion of Marriot Apartment with an apportioned site area of approximately 4,410.04 square meters. The property is located in the region named Jiefangbei, which is the central business district of Chongqing and is within 15 minutes walking distance to Chongqing Rail Transit Linjiangmen Station and Jiaochangkou Station. According to the latest development plan provided, the property comprises B5 to L3 and L5 to L40 of Marriot Apartment with a total gross floor area of approximately 89,904.06 square meters including 166 car parking spaces. The property was completed in about 1999 and the renovation works of the property is scheduled to be completed in December 2016. Detail of the areas are as follow:	The property is under renovation.	RMB2,000,000,000 *(Please see Notes 8 & 9)*

	Gross Floor Area *square meters*
MEA Apartment	21,243.29
ONE Apartment	17,504.81
Retail	31,935.94
Ancillary Facilities	19,220.02
	89,904.06

The land use rights of the property has been granted for a term expiring on 18 August 2033 for commercial and financial uses. We have assumed the land use rights of the property has been extended to a term expiring on 18 August 2053 for commercial and financial uses. *(Please see Note 8)*

Notes:

1. Pursuant to four Realty Title Certificates — 101 Fang Di Zheng 2015 Zi Di 11674, 11676, 11678 and 11681, the land use rights of the property with a site area of 4,567.1 square meters and a total gross floor area of 94,264.5 square meters were granted to Kingstone for a term expiring on 18 August 2033 for commercial and financial uses.

2. Pursuant to the 重慶市土地和礦業權交易中心國有建設用地使用權成交確認書 issued on 20 May 2015, the land use term of the property has been extended to be expired on 18 May 2053 for a land premium of RMB55,330,000. This document was valid till 20 June 2015. As advised, Kingstone has paid part of the land premium (being RMB11,070,000) on 14 April 2015.

3. Pursuant to a 最終報價確認書 dated 11 December 2015, a shop unit on L1 of the building with a gross floor area of 541.41 square meters was sold to Kingstone for a consideration of RMB27,350,000. Kingstone should pay the remaining consideration of RMB21,357,000 and the 競價服務費 of RMB1,367,850 within three working days. As advised, Kingstone has not yet paid the amount of RMB21,357,000 and RMB1,367,850.

4. The property is subject to a mortgage for a consideration of RMB800,000,000.

5. Pursuant to 關於解放碑萬豪行政公寓改造項目相關事宜的紀要 dated 2 December 2014, the relevant authorities had principally agreed the renovation plan submitted by Kingstone.

6. As advised, as at the Date of Valuation, the incurred and outstanding construction costs of the property was approximately RMB125,000,000 and RMB343,000,000 respectively. We have taken into account such amounts in our valuation.

7. We have been provided with the PRC Legal Opinion on the title to the property, which contains, inter alia, the followings:

   (i) Kingstone is the legal owner of the land use rights and building of portion of the property as mentioned in Note 1 above;

   (ii) Kingstone cannot provide sufficient documents to prove that it has completed all the procedures of completion and acceptance of construction works in 2008. However, it has obtained the Realty Title Certificates as mentioned in Note 1, the risk of being fined by the relevant authorities is low;

   (iii) Pursuant to the Construction Works Planning Acceptance Certificate — Chong Gui Jian Yan (2002) Zhong Zi Di No. 0048 dated 21 May 2002, the permitted gross floor area of the development was 89,000 square meters while the completed gross floor was 98,160 square meters. As advised by Kingstone, it has paid the relevant fine imposed by the authorities for the exceeded area. Kingstone however failed to provide evidence in respect of payment of such fine. As the Construction Works Planning Acceptance Certificate has been obtained and the relevant authorities have not punished Kingstone for constructing exceeding the permitted area, the risk of Kingstone being ordered to demolish the exceeded area or restitution is low. In the case if Kingstone had not fully paid the fine as mentioned, there will be a risk that it will be requested to settle such fine and may affect the obtaining of the Construction Works Planning Acceptance Certificate of the renovation works;

   (iv) Kingstone has not obtained any permit for the facades from the relevant authority. However, according to the document as mentioned in Note 5, the risk of being fined by the relevant authorities is low; and

   (v) Kingstone has not obtained any Construction Work Commencement Permits for the renovation works, there is a risk of being fined by the relevant authorities and the renovation works will be ordered to be stopped.

8. Pursuant to the conditions of the Agreement regarding Kingstone, the sale and purchase of its sale shares and sale loan are conditional upon the satisfaction of there is no material legal obstacle for Kingstone to obtain a land use right certificate extending the land use right of the property to August 2053. Therefore, during our valuation, we have assumed that the land use rights of the property has been extended to 18 August 2053.

9. Pursuant to Clause 9.3 of the Agreement, "in the event that the Valuation Report obtained prior to the Completion Date showing the value of the Land is less than RMB2,000 million, either Party shall be entitled to terminate this Agreement". And, as instructed by Kingstone, portion of the property as mentioned in Note 3 above is in the scope of valuation with assuming that it has a proper title. Therefore, we have valued such portion of the property with assuming that it has been acquired by Kingstone with all the consideration and relevant fees have been settled.

10. For reference purpose, if the property was completed as at the Date of Valuation, the market value of the property was approximately RMB2,760,000,000.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executive of the Company have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Long positions in the Shares

		Number of Shares held as at the Latest Practicable Date			
Name of Director	**Capacity/nature of interest**	**Direct interest**	**Deemed interest**	**Total interest**	**Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date**
Mr. Cheung Kwok Wai, Elton	Interest in controlled corporations	—	256,038,041 *(Note)*	256,038,041	16.12%
Mr. Lei Hong Wai	Interest in controlled corporations	—	256,038,041 *(Note)*	256,038,041	16.12%
Mr. Leung Alex	Beneficial owner	1,800,000	—	1,800,000	0.11%

Note: These Shares were directly owned by Twin Success International Limited ("**Twin Success**"), which is (i) 50% owned by Silver Pacific Development Limited ("**SP Development**"), which in turn is owned by Mr. Cheung Kwok Wai, Elton and Mr. Cheung Kwok Fan in equal shares, and (ii) 50% owned by Silver Pacific International Limited ("**SP International**"), which is wholly-owned by Mr. Lei Hong Wai.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person, other than the Directors or the chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

		Number of Shares held as at the Latest Practicable Date			Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
Name of the Shareholder	**Capacity/nature of interest**	**Direct interest**	**Deemed interest**	**Total interest**	
Mr. Cheng Chung Hing	Beneficial owner and interest in a controlled corporation	11,773,453	368,781,655 *(Note 1)*	380,555,108	23.95%
Rich Men Limited	Beneficial owner	368,781,655 *(Note 1)*	—	368,781,655	23.21%
Twin Success	Beneficial owner	256,038,041 *(Note 2)*	—	256,038,041	16.12%
SP Development	Interest in a controlled corporation	—	256,038,041 *(Note 2)*	256,038,041	16.12%
SP International	Interest in a controlled corporation	—	256,038,041 *(Note 2)*	256,038,041	16.12%
Mr. Cheung Kwok Fan	Interest in controlled corporations	—	256,038,041 *(Note 2)*	256,038,041	16.12%

Notes:

1. These Shares were directly owned by Rich Men Limited. Mr. Cheng Chung Hing owns 100% of the issued share capital of Rich Men Limited.

2. These Shares were directly owned by Twin Success, which is (i) 50% owned by SP Development, which in turn is owned by Mr. Cheung Kwok Wai, Elton and Mr. Cheung Kwok Fan in equal shares, and (ii) 50% owned by SP International, which is wholly-owned by Mr. Lei Hong Wai.

4. DISCLOSURE OF OTHER INTERESTS

(i) Interests in competing business

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associates had an interest in any business, which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules, as if the Directors were controlling Shareholders.

(ii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2016 (being the date to which the latest published audited accounts of the Company were made up).

(iii) Interests in contract or arrangement

As at the Latest Practicable Date, there was no contract or arrangement in which any Director was materially interested and which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) a repurchase agreement dated 17 June 2014 and entered into between the Company and MS Holdings, pursuant to which MS Holdings repurchased one share in MS Holdings held by the Company for a consideration of US$1.00;

(b) a repurchase agreement dated 17 June 2014 and entered into between the Company and Arcadia BVI, pursuant to which MS Holdings repurchased one share in Arcadia BVI held by the Company for a consideration of US$1.00;

(c) the underwriting agreement dated 5 December 2014 and entered into between the Company, Mr. Cheng Chung Hing, Astrum Capital Management Limited and Rich Men Limited, in relation to the underwriting arrangement in respect of the open offer on the basis of one new Share for every two existing Shares to the qualifying Shareholders held on a record date at a price of HK$0.638 per new Share;

(d) the sale and purchase agreement dated 17 February 2015 entered into among Man Sang Development Company Limited, a subsidiary of the Company, and GTC Vision Limited in relation to the sale and purchase of the entire issued capital of Swift Millions Limited;

(e) the subscription agreement dated 11 June 2015 and entered into between the Company as the issuer and Twin Success as the subscriber, pursuant to which the Company agreed to allot and issue, and Twin Success agreed to subscribe for a total of 256,038,041 subscription Shares at the subscription price of HK$1.09 per subscription Share;

(f) the sale and purchase agreement dated 15 July 2015 and entered into between Man Sang Capital Limited ("**MS Capital**") (a wholly-owned subsidiary of the Company) as the purchaser and Sino Credit Holdings Limited (stock code: 628) ("**Sino Credit**") as the vendor, pursuant to which the purchaser agreed to purchase and the vendor agreed to sell and the entire equity interests of Best Volume Investments Limited at a total consideration of HK$400,000,000;

(g) the deed of termination dated 28 July 2015 and entered into between MS Capital and Sino Credit in relation to the termination of the sale and purchase agreement dated 15 July 2015;

(h) the sale and purchase agreement dated 3 February 2016 and entered into between Man Sang Enterprise Limited (a wholly-owned subsidiary of the Company) as the vendor, Hua Yang Global Limited as the purchaser and Mr. Cheng Chung Hing as the guarantor, pursuant to which the vendor agreed to sell and the purchaser agreed to purchase the entire issued share capital of Man Sang Jewellery Company Limited and the loan owed by Man Sang Jewellery Company Limited to the vendor at a total consideration of approximately HK$184.6 million; and

(i) the Agreement.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
APAC Asset Valuation and Consulting	Independent professional valuer
King & Wood Mallesons	PRC legal adviser

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or the reference to its name or opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts above were beneficially interested in the share capital of any member of the Group, nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2016 (being the date to which the latest published audited accounts of the Company were made up).

9. MISCELLANEOUS

(a) The secretary of the Company is Mr. Leung Alex, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia.

(b) In case of any inconsistency between the English and Chinese versions of this circular, the English version shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Suite 2201, 22/F., Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual reports of the Company for the two financial years ended 31 March 2014 and 2015 and the annual results announcement of the Company for the year ended 31 March 2016 dated 26 May 2016;

(c) the accountant's report of the Target Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this circular;

(d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(e) the letter and valuation certificate relating to the Property from APAC Asset Valuation and Consulting Limited, the texts of which are set out in Appendix V to this circular;

(f) the PRC legal opinion of King & Wood Mallesons dated 16 June 2016 in respect of Kingstone and the Property;

(g) the written consents referred to in the paragraph headed "8. Experts and consents" in this appendix;

(h) the material contracts referred to in the paragraph headed "6. Material contracts" in this appendix; and

(i) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 March 2016, being the date of the latest published audited accounts, including this circular.

MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

NOTICE IS HEREBY GIVEN that the special general meeting of Man Sang International Limited (the "**Company**") will be held at Lotus Room, 6/F, Marco Polo Hongkong Hotel, Harbour City, Tsimshatsui, Kowloon, Hong Kong on Friday, 15 July 2016 at 4:00 p.m. for the purpose of considering and, if appropriate, passing with or without modifications the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the acquisition by the Company of (i) the entire issued share capital of Gloryear Investments Limited; (ii) all amounts due and owing by Gloryear Investments Limited to the vendor (Xinli Holdings Limited) as at completion of the acquisition of Gloryear Investments Limited on terms more particularly set out in the Company's circular dated 16 June 2016 (the "**Circular**") (a copy of the Circular marked "A" and initialed by the Chairman of the meeting for identification purpose has been tabled at the meeting) (the "**Acquisition**") be and are hereby approved;

(b) the issue of a HK$1,168,000,000 promissory note by the Company on completion of the Acquisition for part settlement of the consideration as further detailed in the Circular be and is hereby approved; and

(c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as he/they consider(s) necessary, desirable or expedient in his/their opinion to implement and/or give effect to the Acquisition."

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

Hong Kong, 16 June 2016

Notes:

(1) At the special general meeting of the Company ("**SGM**"), the Chairman of the SGM will put each of the above resolution to be voted by way of a poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) A member of the Company entitled to attend and vote at the SGM (or any adjournment thereof) is entitled to appoint another person as his/her/their proxy to attend and vote instead of him/her/them. A member who is the holder of two or more shares in the capital of the Company may appoint more than one proxy to attend and vote on the same occasion. A proxy need not be a member of the Company.

(3) To be valid, the form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before time fixed for holding the SGM (or any adjournment thereof). Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event the form of proxy shall be deemed to be revoked.

(4) The register of members of the Company will be closed from Wednesday, 13 July 2016 to Friday, 15 July 2016 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the SGM, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 12 July 2016.

(5) Where there are joint holders of any share in the Company, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she/they were solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of other holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(6) A circular containing the particulars in connection with the acquisition of the entire equity interest in Gloryear Investments Limited has been despatched to members of the Company.

(7) As at the date of this notice, the executive directors of the Company are Mr. Lei Hong Wai (Chairman), Ms. Cheng Ka Man, Carman, Mr. Cheung Kwok Wai, Elton and Mr. Leung Alex; and the independent non-executive directors of the Company are Mr. Chan Cheong Tat, Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex.