MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

The board of directors (the "Board") of Man Sang International Limited (the "Company") is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2016, together with the unaudited comparative figures for the corresponding period in 2015.

	Six months ended 30 September		**Decrease**	
	2016	2015		
	HK$'000	*HK$'000*	*HK$'000*	*Percentage*
	(Unaudited)	(Unaudited)		
Revenue	**34,190**	118,895	84,705	71.2%
Gross profit	**22,416**	63,016	40,600	64.4%
Gross profit margin	**66%**	53%		
(Loss)/Profit attributable to equity holders of the Company	**(30,279)**	19,302		

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2016

	Note	Six months ended 30 September 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Revenue	*4*	**34,190**	118,895
Cost of sales		**(11,774)**	(55,879)
Gross profit		**22,416**	63,016
Other income		**2,389**	–
Other gains, net		**1,370**	3,230
Selling expenses		**(6,887)**	(1,887)
Administrative expenses		**(14,307)**	(13,666)
Operating profit	*6*	**4,981**	50,693
Finance income	*7*	**1,300**	2,515
Finance costs	*7*	**(25,030)**	(1,808)
Finance (costs)/income, net		**(23,730)**	707
Share of profit of an associate		**–**	15
(Loss)/Profit before income tax		**(18,749)**	51,415
Income tax expenses	*8*	**(6,456)**	(21,118)
(Loss)/Profit for the period		**(25,205)**	30,297
Attributable to:			
Equity holders of the Company		**(30,279)**	19,302
Non-controlling interests		**5,074**	10,995
		(25,205)	30,297
(Loss)/Earnings per share attributable to equity holders of the Company	*10*		
Basic and diluted		**(1.90) HK cents**	1.30 HK cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period	**(25,205)**	30,297
Other comprehensive loss:		
Items that may be reclassified to profit or loss		
Exchange difference on translation of foreign operations	**–**	(43,170)
Share of other comprehensive loss of associate accounted for under equity method		
— Share of currency translation reserve	**–**	(9)
Other comprehensive loss for the period, net of tax	**–**	(43,179)
Total comprehensive loss for the period	**(25,205)**	(12,882)
Attributable to:		
Equity holders of the Company	**(30,279)**	(11,875)
Non-controlling interests	**5,074**	(1,007)
	(25,205)	(12,882)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 September 2016

	Note	**30 September 2016** ***HK$'000*** **(Unaudited)**	31 March 2016 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**736,680**	736,680
Investment properties under construction		**1,524,600**	63,360
Property, plant and equipment		**430,140**	179
Prepayments and other receivables		**56,604**	2,931
Prepaid lease payments		**271,811**	–
		3,019,835	803,150
Current assets			
Properties under development		**529,593**	38,553
Completed properties held for sale		**285,452**	296,745
Deposits, prepayments, trade and other receivables		**71,386**	226,447
Restricted cash		**703**	703
Cash and cash equivalents		**312,663**	462,378
		1,199,797	1,024,826
Current liabilities			
Trade and other payables	*11*	**677,494**	354,279
Current income tax liabilities		**135,398**	136,868
		812,892	491,147
Net current assets		**386,905**	533,679
Total assets less current liabilities		**3,406,740**	1,336,829
Non-current liabilities			
Deferred income tax liabilities		**173,181**	172,696
Promissory note		**944,114**	–
Borrowing		**960,000**	–
		2,077,295	172,696
Net assets		**1,329,445**	1,164,133

	30 September 2016	31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**190,617**	158,864
Reserves	**977,672**	849,187
	1,168,289	1,008,051
Non-controlling interests	**161,156**	156,082
Total equity	**1,329,445**	1,164,133

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

As at 30 September 2016, the Group had capital commitment of HK$268,637,000. On 2 November 2016, the Group entered into a sales and purchase agreement to acquire a target company at a consideration of RMB500,000,000 and grant of an option to the vendor to subscribe for 5% of the issued share capital of the Company. As at the date of the approval of this condensed consolidated financial information, this transaction is not yet completed. On 7 November 2016, the Company paid a refundable deposit of HK$400,000,000 to the vendor (Note 13). Additional funding will be needed should the Group proceed with this proposed acquisition.

In view of the above, the directors of the Company have reviewed the cash flow projections of the Group covering a period of twelve months from 30 September 2016, which have taken into account the following measures.

(1) In May 2016, a main contractor of Chongqing Kingstone Land Co., Ltd (重慶皇石置地有限公司, an indirect wholly-owned subsidiary of the Company) ("Chongqing Kingstone") has undertaken and agreed to pay on behalf of Chongqing Kingstone the construction costs in relation to the redevelopment of the property in Chongqing with a total amount of HK$223,294,000, that are payable by Chongqing Kingstone to its subcontractors, of which HK$11,331,000 had been recorded as trade and other payables as at 30 September 2016 with the remaining amounts of HK$211,963,000 included as capital commitments of the Group as at 30 September 2016, and the main contractor has agreed not to demand repayment of the above amounts payable by Chongqing Kingstone before 30 November 2017;

(2) Chongqing Kingstone is expected to commence the sales of apartments in December 2016 which will generate operating cash inflows to the Group; and

(3) On 4 November 2016, the Company issued two-year secured bonds for an aggregate principal amount of HK$400,000,000 (Note 13).

The Group will consider raising additional capital, as and when needed, by carrying out fund raising activities to finance Chongqing Kingstone and/or any merger and acquisition opportunities so arising.

In the opinion of the directors of the Company, taking into account the anticipated cash inflows from the sales of apartments in the expected timeframe as well as the additional financing to be obtained as and when needed, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 30 September 2016. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated financial information on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, accounting policies applied in the preparation of this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 March 2016, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following are standards and amendments to existing standards that have been published and are relevant to the Group, but are not effective for the accounting periods beginning on 1 April 2016 and have not been early adopted by the Group:

HKAS 7 (Amendment)	Disclosure initiative[1]
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses[2]
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions[2]
HKFRS 15	Revenue from contracts with customers[2]
HKFRS 9	Financial instruments[2]
HKFRS 16	Leases[3]
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate and joint venture[4]

1 effective for annual periods beginning on or after 1 April 2017
2 effective for annual periods beginning on or after 1 April 2018
3 effective for annual periods beginning on or after 1 April 2019
4 effective date to be determined

Management is in the process of making an assessment of the likely impact of these changes but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and/or the presentation of its financial information will result.

3. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2016.

4. REVENUE

Revenue represents (i) the proceeds from the sale of properties; and (ii) the amounts received and receivable in respect of leasing of investment properties.

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of properties	**17,834**	92,312
Rental income	**16,356**	26,583
	34,190	118,895

5. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision-maker. Management determines the operating segments based on the Group's internal reports, which are submitted to the executive directors for performance assessment and resources allocation.

During the six months ended 30 September 2016, the executive directors consider the business by project base and assess the property development in two reportable operating segments, namely China Pearls and Jewellery City ("CP&J City") and Chongqing Kingstone. During the six months ended 30 September 2015, the Group's operating activity was attributable to a single operating segment focusing on development, investment, sales and leasing of properties. In order to align the segment view with the restructured internal management and reporting structure during the year ended 30 September 2016, the segment information of comparative period has been restated into two reporting operating segments, namely CP&J City and Man Sang Industrial City, to conform to current period categorisation.

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Other information provided to the executive directors is measured in a manner consistent with that in the condensed consolidated interim financial statements.

Sales between segments are carried out in terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the interim condensed consolidated income statement.

	CP&J City	**Chongqing Kingstone**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Six months ended 30 September 2016			
Total segment revenue	**34,190**	**–**	**34,190**
Inter-segment revenue	**–**	**–**	**–**
Revenue from external customers	**34,190**	**–**	**34,190**
Segment profit/(loss)	**20,982**	**(30,709)**	**(9,727)**

	CP&J City	Man Sang Industrial City	Total
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
	(Restated)	(Restated)	
Six months ended 30 September 2015			
Total segment revenue	111,239	7,656	118,895
Inter-segment revenue	–	–	–
Revenue from external customers	111,239	7,656	118,895
Segment profit	51,978	5,324	57,302

A reconciliation of the reportable segments' profit before income tax to the Group's (loss)/profit before income tax is provided as follows:

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Total (loss)/profit before income tax for reportable segments	**(9,727)**	57,302
Fair value change in financial assets at fair value through profit or loss	**–**	2,007
Corporate expenses, net	**(9,022)**	(7,894)
(Loss)/Profit before income tax	**(18,749)**	51,415

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

	CP&J City	**Chongqing Kingstone**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
As at 30 September 2016			
Total assets for reportable segments	**1,273,163**	**2,742,389**	**4,015,552**
Corporate assets			**204,080**
Total assets			**4,219,632**

	CP&J City	Total
	HK$'000	*HK$'000*
	(Audited)	(Audited)
	(Restated)	
As at 31 March 2016		
Total assets for reportable segments	1,261,984	1,261,984
Corporate assets		565,992
Total assets		1,827,976

6. OPERATING PROFIT

An analysis of the amounts presented as operating items charged/(credited) in the interim condensed consolidated income statement is given below.

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of completed properties for sale	**11,293**	49,154
Fair value change in financial assets at fair value through profit or loss	**–**	(2,007)
Staff costs, including directors emoluments	**9,383**	7,175
Depreciation of property, plant and equipment	**32**	201

7. FINANCE INCOME AND COSTS

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
Interest income on short-term bank deposits	**762**	2,041
Other interest income	**538**	474
	1,300	2,515
Finance costs		
Interest on bank loan	**–**	(877)
Interest on borrowing	**(13,393)**	(2,244)
Interest on promissory note	**(16,114)**	–
Amount capitalised on qualifying assets	**4,477**	1,313
	(25,030)	(1,808)
Finance (costs)/income — net	**(23,730)**	707

8. INCOME TAX EXPENSES

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
PRC enterprise income tax	**5,132**	13,953
PRC land appreciation tax	**839**	8,861
	5,971	22,814
Deferred income tax	**485**	(1,696)
Income tax expenses	**6,456**	21,118

The PRC enterprise income tax in respect of operations in Mainland China is calculated at applicable tax rates on the estimated assessable profit for the period based on existing legislation, interpretation and practices in respect thereof.

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

PRC land appreciation tax is levied and provided for in the condensed consolidated interim financial information at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property expenditures.

9. DIVIDEND

At a meeting of the board of directors held on 29 November 2016, the directors resolved not to declare an interim dividend to shareholders for the six months ended 30 September 2016 (2015: same).

10. (LOSS)/EARNINGS PER SHARE

Basic:

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

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
(Loss)/Profit attributable to equity holders of the Company *(HK$'000)*	**(30,279)**	19,302
Weighted average number of shares in issue *(thousands)*	**1,597,319**	1,487,164
Basic (loss)/earnings per share *(HK cents per share)*	**(1.90)**	1.30

Diluted:

Diluted (loss)/earnings per share is calculated by the adjusted weighted average number of shares which represented the weighted average number of shares in issue during the period and weighted average number of ordinary shares deemed to have been issued at no consideration, assuming the exercise of the share options.

	Six months ended 30 September	
	2016	2015
	(Unaudited)	(Unaudited)
(Loss)/Profit attributable to equity holders of the Company *(HK$'000)*	**(30,279)**	19,302
Weighted average number of shares in issue *(thousands)*	**1,597,319**	1,487,164
Adjustment for:		
– share options *(thousands)*	**–**	430
Adjusted weighted average number of shares in issue *(thousands)*	**1,597,319**	1,487,594
Diluted (loss)/earnings per share *(HK cents per share)*	**(1.90)**	1.30

For the six months ended 30 September 2016, diluted loss per share was the same as basic loss per share since all potential ordinary shares are anti-dilutive as the conversion of potential ordinary shares in relation to the share options have an anti-dilutive effect to the basic loss per share.

11. TRADE AND OTHER PAYABLES

	30 September 2016	31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**–**	2,468
Loans from minority shareholders *(note 1)*	**86,938**	86,938
Advance receipts from customers	**80,630**	84,749
Construction costs accruals and payables	**185,289**	88,357
Other accruals and other payables *(note 2)*	**324,637**	91,767
	677,494	354,279

Note 1: The loans from minority shareholders are interest-free, unsecured and have no fixed repayment terms.

Note 2: As at 30 September 2016, included in other accruals and other payables was an amount of HK$75,015,000 payable to a company beneficially owned by a related party of the holder of the promissory note of the Group (31 March 2016: Nil).

The carrying amounts of the trade and other payables approximate their fair values as these financial liabilities, which are measured at amortised cost, are expected to be paid within a short period of time, such that the impact of the time value of money impact is not significant.

As at 30 September 2016, there is no trade payables in trade and other payables of the Group (31 March 2016: HK$2,468,000) and their ageing analysis is as follows:

	30 September 2016 *HK$'000* **(Unaudited)**	31 March 2016 *HK$'000* (Audited)
0 to 60 days past due	–	1,963
61 to 120 days past due	–	–
More than 120 days past due	–	505
	–	2,468

12. ACQUISITION OF SUBSIDIARIES

On 28 July 2016, the Group acquired 100% of the issued shares in Gloryear Investments Limited, for a consideration paid, net of directly attributable costs, of HK$1,468,000,000. The major assets of the Gloryear Investments Limited are properties under development, property, plant and equipment, prepaid land leases and investment properties under construction, and accordingly, the transactions have been accounted for as acquisition of assets.

The following table summarises the consideration paid for the acquisition of Gloryear Investments Limited and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	28 July 2016 ***HK$'000***
Purchase consideration	
— Cash paid	300,000
— Promissory note	1,168,000
Directly attributable costs	4,884
Total consideration transferred	1,472,884
Indemnification asset	(22,064)
Total consideration	1,450,820

	28 July 2016
	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	422,977
Prepaid lease payments	273,495
Investment properties under construction	1,445,167
Properties under development	485,938
Prepayments and other receivables	71,758
Cash and cash equivalents	1,782
Other payables	(283,817)
Borrowing	(966,480)
Total identifiable net assets	1,450,820
Net cash outflow arising from acquisition of subsidiaries	
Cash paid	(300,000)
Cash and cash equivalents acquired	1,782
Directly attributable costs	(4,884)
	(303,102)

13. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 24 October 2016, the Company had further early redeemed an aggregate principal amount of HK$150,000,000 of the promissory note.

(b) On 2 November 2016, the Company, Free Gain Ventures Limited ("Free Gain") (a wholly-owned subsidiary of the Company), Mr. Tsoi Tung (the "Vendor"), Xinli Holdings Limited and Ms. Wang Ming entered into a sales and purchase agreement with conditions where Free Gain agreed to acquire and the Vendor agreed to sell a property in Shanghai which constitutes a major and connected transaction (the "Acquisition"). The consideration comprises a sum of RMB500,000,000 and grant of an option in favour of the Vendor to subscribe for the shares of the Company representing 5% of the issued share capital of the Company upon the completion of the Acquisition. On 7 November 2016, the Company had transferred HK$400,000,000 to the Vendor as a refundable deposit. As at the date of this announcement, the Acquisition has yet to complete. For more details, please refer the Company's announcement dated 2 November 2016 in relation to the Acquisition.

As at 30 September 2016, the Group had promissory note payable to Xinli Holdings Limited (which is wholly owned by Ms. Wang Ming, spouse of the Vendor) of HK$928,000,000 and owned interest of HK$16,114,000 as a result of the acquisition of Chongqing Kingstone.

(c) On 3 November 2016, the Company entered into a subscription agreement as issuer with a Cayman Islands incorporated open-ended exempted segregated portfolio company (the "Subscriber"), pursuant to which the Company, on 4 November 2016, issued and the Subscriber subscribed for a two-year secured bonds in registered form in the denomination of HK$10,000,000 each, comprising an aggregate principal amount of HK$400,000,000 (the "Bonds"). The Bonds bears interest at the rate of 9% per annum, payable semi-annually.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The board of directors (the "Board") of Man Sang International Limited (the "Company") report the results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2016 (the "Period" or "HY16"). During the Period, the unaudited consolidated loss attributable to equity holders of the Company was HK$30.3 million (six months ended 30 September 2015 ("HY15"): profit of HK$19.3 million). Basic loss per share was 1.90 HK cents (HY15: earning of 1.30 HK cents).

BUSINESS REVIEW

The Group focuses on the development, sales and leasing of properties in Mainland China. During HY16, property sales volume and property price in small to medium cities in Mainland China remained subdued and continued to be under downward adjustment pressure. The revenue generated from sales of properties in the China Pearls and Jewellery City ("CP&J City") decrease as a result of the completion of two residential apartments and a commercial complex in HY15 where significant contracted sales were recognized in HY15 and no new property was completed in CP&J City in HY16.

CP&J City

CP&J City consists of a large-scale international pearl and jewellery trading platform and the related commercial properties including residential apartments, factories buildings, a composite building and a commercial plaza located in Zhuji of Zhejiang, the PRC for sale and leasing.

The 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 Group is also planning to roll out phase 2 of the development of CP&J City. The 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 finalization of the negotiation which shall be agreed upon by both the Group and the local government.

Chongqing Kingstone

In July 2016, the Company has completed the acquisition of a property located in the central business district of Chongqing, the PRC (Known as "Chongqing Kingstone") at a consideration, net of directly attributable costs, of HK$1,468 million. The location of Chongqing Kingstone is in Jiefangbei 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 Chongqing Kingstone, the Company considers that Chongqing Kingstone will benefit from the heavy pedestrian flow nearby and thus aim to develop Chongqing Kingstone to become a new landmark in Yuzhong District.

Chongqing Kingstone is currently under 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 2017. After the completion of the redevelopment, Chongqing Kingstone will comprise apartments for sale and leasing, retail units and ancillary facilities/car parks. The Company targets to commence sale and leasing of the first batch of apartments and retail units in the first quarter of 2017.

Subscription of shares

In September 2016, the Company had allotted and issued a total of 317,528,000 shares of the Company to two subscribers under the general mandate of the Company with net proceeds of approximately HK$190.5 million. The allotment aimed to provide additional funds to strengthen the financial position and broaden the shareholder and capital base of the Group so as to facilitate future development as new business and development opportunities arise.

Proposed acquisition of a property located in Shanghai

As announced on 2 November 2016, the Company has signed a sale and purchase agreement to purchase a property located in the central business district of Shanghai, the PRC at a consideration comprises a sum of RMB500 million and grant of an option to subscribe for the shares of the Company representing 5% of the issued share capital of the Company on the completion of the transaction. This property is currently permitted for commercial/office use. The property has a total gross floor area of approximately 24,020 square meters. Given (i) the prestigious location of the property is erected within the central business district of Shanghai; (ii) the promising commercial property market in Shanghai; and (iii) the implementation of "The Belt and Road initiative" which brings development opportunities to Shanghai, the proposed acquisition, which is considered to be in line with the Company's development strategies, represents a good investment opportunity for the Group to diversify its existing portfolio and it is expected that the acquisition will create greater return to the shareholders of the Company in the longer run. As at the date of this announcement, the transaction has yet to be completed.

Issuance of bonds

And as announced on 3 November 2016, the Company entered into a subscription agreement as issuer with a Cayman Islands incorporated open-ended exempted segregated portfolio company (the "Subscriber"), pursuant to which the Company, on 4 November 2016, issued and the Subscriber subscribed for the secured bonds due 2018 of an aggregate principal amount of HK$400 million (the "Bonds"). The Directors considered that the Bonds would enhance the Company's cashflow position and would provide additional funds to the Company for future acquisitions.

Looking forward

The Group is proactively looking for and market opportunities in Mainland China to supplement its existing projects through mergers and acquisitions, so as to implement the Group's strategy to invest in property-related projects.

The Company will closely monitor and manage its financial position, and may carry out fund raising activities, including but not limited to equity financing and/or debt financing as and when appropriate to meet our anticipated future liquidity requirements and capital expenditure commitment.

FINANCIAL REVIEW

Revenue and gross profit

Revenue of the Group was HK$34.2 million (HY15: HK$118.9 million) during the Period, which comprised sales of properties of HK$17.8 million (HY15: HK$92.3 million) and rental income of HK$16.4 million (HY15: HK$26.6 million).

The revenue from sales of properties mainly represented sales of residential apartments and commercial plaza in CP&J City which were completed in HY15 and has decreased by HK$74.5 million to HK$17.8 million (HY15: HK$92.3 million) during the Period as a result of the completion of two residential apartments and a commercial complex in HY15 where significant contracted sales were recognized in HY15 and no new property was completed in CP&J City in HY16. As the disposal of the entire interest in a wholly-owned subsidiary which owns, manages and operates 27 blocks of industrial properties in Shenzhen for leasing has been completed in March 2016, rental income decreased by HK$10.2 million or 38.3% to HK$16.4 million (HY15: HK$26.6 million) for the Period.

Gross profit of the Group therefore decreased by HK$40.6 million or 64.4% to HK$22.4 million (HY15: HK$63.0 million) during the Period.

Selling and administrative expenses (the "S&A expenses")

S&A expenses mainly comprised selling expenses of HK$6.9 million (HY15: HK$1.9 million) and administrative expenses of HK$14.3 million (HY15: HK$13.7 million). S&A expenses increased by HK$5.6 million or 35.9% to HK$21.2 million (HY15: HK$15.6 million) during the Period which was primarily due to the S&A expenses incurred directly for the acquisition and the redevelopment of Chongqing Kingstone as a result of the completion of the acquisition of Chongqing Kingstone in HY16.

Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company was HK$30.3 million (HY15: profit of HK$19.3 million) primarily due to (1) the decrease in sales of the residential apartments and commercial plaza as mentioned above; and (2) the S&A expenses incurred for the redevelopment of Chongqing Kingstone.

LIQUIDITY, GEARING RATIO AND FINANCIAL RESOURCES

As at 30 September 2016, the Group's total equity, including non-controlling interests, was HK$1,329.4 million (31 March 2016: HK$1,164.1 million), representing an increase of 14.2%.

As at 30 September 2016, the Group had cash and bank balances of HK$312.7 million (31 March 2016: HK$462.4 million). Cash and bank balances were mainly denominated in Hong Kong dollars, United States dollars and Chinese Renminbi. The Group's working capital or net current assets were HK$386.9 million (31 March 2016: HK$533.7 million). The current ratio, represented by current assets divided by current liabilities, was 1.5 (31 March 2016: 2.1).

As at 30 September 2016, the Group's total borrowings, which were denominated in Hong Kong dollars and Chinese Renminbi were HK$1,904.1 million (31 March 2016: Nil) and were interest-bearing. The Group does not currently use any derivatives to manage interest rate risk. Gearing ratio, represented by total borrowings divided by total equity, was 1.4 (31 March 2016: Nil).

As at 30 September 2016, the Group had capital commitment of HK$268,637,000. On 2 November 2016, the Group entered into a sales and purchase agreement to acquire a target company at a consideration of RMB500,000,000 and grant of an option to the vendor to subscribe for 5% of the issued share capital of the Company. As at the date of the approval of this condensed consolidated financial information, this transaction is not yet completed. On 7 November 2016, the Company paid a refundable deposit of HK$400,000,000 to the vendor (Note 13). Additional funding will be needed should the Group proceed with this proposed acquisition.

In view of the above, the directors of the Company have reviewed the cash flow projections of the Group covering a period of twelve months from 30 September 2016, which have taken into account the following measures.

(1) In May 2016, a main contractor of Chongqing Kingstone has undertaken and agreed to pay on behalf of Chongqing Kingstone the construction costs in relation to the redevelopment of the property in Chongqing with a total amount of HK$223,294,000, that are payable by Chongqing Kingstone to its subcontractors, of which HK$11,331,000 had been recorded as trade and other payables as at 30 September 2016 with the remaining amounts of HK$211,963,000 included as capital commitments of the Group as at 30 September 2016, and the main contractor has agreed not to demand repayment of the above amounts payable by Chongqing Kingstone before 30 November 2017;

(2) Chongqing Kingstone is expected to commence the sales of apartments in December 2016 which will generate operating cash inflows to the Group; and

(3) On 4 November 2016, the Company issued two-year secured bonds for an aggregate principal amount of HK$400,000,000 (Note 13).

The Group will consider raising additional capital, as and when needed, by carrying out fund raising activities to finance Chongqing Kingstone and/or any merger and acquisition opportunities so arising.

In the opinion of the directors of the Company, taking into account the anticipated cash inflows from the sales of apartments in the expected timeframe as well as the additional financing to be obtained as and when needed, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 30 September 2016.

PLEDGE OF ASSETS

The Group's borrowings were secured by certain investment properties under construction, properties, plant and equipment and properties under development in the PRC with an aggregate carrying amount of HK$2,382.2 million (31 March 2016: Nil).

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period, which was primarily related to construction of properties, amounted to HK$20.7 million.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group principally operates its businesses in Hong Kong and Mainland China. The Group has subsidiaries operating in Mainland China, in which most of their transactions are denominated in Chinese Renminbi. The Group is exposed to foreign exchange fluctuations from Chinese Renminbi which is the main foreign currency transacted by the Group during the Period.

The Group has not entered into any foreign exchange contract as hedging measures. The Group manages its foreign currency risk against Chinese Renminbi by closely monitoring its movement and may use hedging derivative, such as foreign currency forward contract, to manage its foreign currency risk as appropriate.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2016, the Group had a total workforce of approximately 100. The total staff cost, including directors' emoluments and mandatory provident fund, was approximately HK$9.4 million (HY15: HK$7.2 million) during the Period. Employees were remunerated on the basis of their performance and experience. Remuneration package, including salary and year-end discretionary bonus, was determined by reference to market conditions and individual performance.

FINANCIAL GUARANTEES

As at 30 September 2016, the Group had maximum exposure of HK$55.3 million (31 March 2016: HK$48.2 million) in respect of guaranteeing the mortgage for certain purchasers of properties in CP&J City under mortgage collaboration agreements with a bank in the PRC.

PROSPECTS

The Group is proactively considering to expand its footprints in different regions within the Mainland China, especially in the provincial capital cities where the demand for residential/ commercial properties are enormous, using the development concept and experience of the Chongqing Property and the CP&J City. The Group will closely monitor market opportunities to supplement its existing projects through mergers and acquisitions, so as to create greater returns for the shareholders.

CORPORATE GOVERNANCE CODE

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

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

According to the code provision A.4.1 as set out in the CG code, non-executive directors should be appointed for a specific term, subject to re-election. Two former Independent Non-Executive Directors, namely Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex have not been appointed for a specific term and they had retired at the annual general meeting of the Company held on 15 July 2016. Save as the deviation from the code provision A.4.1 of the CG Code as mentioned above, in the opinion of the directors of the Company, the Company has complied with all code provisions as set out in the CG Code throughout the six months ended 30 September 2016 and, where appropriate, the applicable recommended best practices of the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules on the Stock Exchange for securities transactions by the Directors. The Company confirms that, having made specific enquiry of all Directors, all of the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2016.

BOARD OF DIRECTORS

As at 30 September 2016 and the date of this announcement, the Board comprises five Executive Directors, namely Mr. Lei Hong Wai (Chairman), Ms. Cheng Ka Man, Carman, Mr. Cheung Kwok Wai, Elton, Mr. Leung Alex and Mr. Yuan Huixia, and three Independent Non-Executive Directors, namely Mr. Chan Cheong Tat, Mr. Lei Seng Fat and Mr. Wong Tak Chuen.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company, which comprises three Independent Non-Executive Directors, namely Mr. Chan Cheong Tat, Mr. Lei Seng Fat and Mr. Wong Tak Chuen, has reviewed the unaudited interim results of the Group for the six months ended 30 September 2016 and has recommended their adoption to the Board.

In addition, the Company's auditor, PricewaterhouseCoopers, has also conducted a review of the aforesaid unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

On behalf of the Board
Man Sang International Limited
LEI HONG WAI
Chairman

Hong Kong, 29 November 2016

As at the date of this announcement, the executive directors are Mr. Lei Hong Wai (Chairman), Ms. Cheng Ka Man, Carman, Mr. Cheung Kwok Wai, Elton, Mr. Leung Alex and Mr. Yuan Huixia; and the independent non-executive directors are Mr. Chan Cheong Tat, Mr. Lei Seng Fat and Mr. Wong Tak Chuen.