MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

Website: http://www.msil.com.hk

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 AND DELAY IN DESPATCH OF ANNUAL REPORT AND RESUMPTION OF TRADING

The board of directors (the "Directors" or the "Board") of Man Sang International Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017, together with the comparative figures for the previous year, as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 March 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*2*	**194,197**	190,698
Cost of sales		**(61,157)**	(83,082)
Gross profit		**133,040**	107,616
Other income		**3,935**	1,264
Other gains	*4*	**158**	22,769
Selling expenses		**(11,410)**	(4,981)
Administrative expenses		**(45,172)**	(28,652)
(Decrease) increase in fair values of investment properties and investment properties under construction, net		**(41,737)**	5,938
Share of profit of an associate		**–**	15
Finance income	*5*	**2,033**	4,305
Finance costs	*5*	**(105,598)**	(2,170)

Consolidated Statement of Profit or Loss — *Continued*
For the year ended 31 March 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
(Loss) profit before tax	*7*	**(64,751)**	106,104
Income tax expenses	*6*	**(57,729)**	(38,623)
(Loss) profit for the year		**(122,480)**	67,481
Attributable to:			
Equity holders of the Company		**(121,926)**	51,192
Non-controlling interests		**(554)**	16,289
		(122,480)	67,481
(Loss) earnings per share, basic and diluted	*8*	**HK$(0.070)**	HK$0.033

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
(Loss) profit for the year	**(122,480)**	67,481
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(103,403)**	(42,201)
Release of translation reserve upon disposal of subsidiaries	**–**	(20,349)
Other comprehensive loss for the year	**(103,403)**	(62,550)
Total comprehensive (loss) income for the year	**(225,883)**	4,931
Attributable to:		
Equity holders of the Company	**(211,187)**	278
Non-controlling interests	**(14,696)**	4,653
	(225,883)	4,931

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment properties		**652,123**	736,680
Investment properties under construction		**1,502,392**	63,360
Property, plant and equipment		**443,780**	179
Prepayments and other receivables	*10*	**55,991**	2,931
Prepaid lease payments		**262,042**	–
		2,916,328	803,150
Current assets			
Properties under development		**463,340**	38,553
Completed properties held for sale		**255,538**	296,745
Deposits, prepayments, trade and other receivables	*10*	**477,990**	226,447
Restricted bank balances		**662**	703
Cash and cash equivalents		**242,047**	462,378
		1,439,577	1,024,826
Current liabilities			
Trade and other payables	*11*	**441,813**	354,279
Current income tax liabilities		**188,376**	136,868
Bank and other borrowings	*12*	**54,459**	–
		684,648	491,147
Net current assets		**754,929**	533,679
Total assets less current liabilities		**3,671,257**	1,336,829

Consolidated Statement of Financial Position — *Continued*
As at 31 March 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Non-current liabilities			
Other payables	*11*	**257,136**	–
Deferred income tax liabilities		**141,965**	172,696
Promissory notes	*13*	**793,347**	–
Bank and other borrowings	*12*	**1,350,042**	–
		2,542,490	172,696
Net assets		**1,128,767**	1,164,133
Capital and reserves			
Share capital		**190,617**	158,864
Reserves		**796,764**	849,187
Equity attributable to equity holders of the Company		**987,381**	1,008,051
Non-controlling interests		**141,386**	156,082
Total equity		**1,128,767**	1,164,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

During the year ended 31 March 2017, the Group reported net loss of approximately HK$122,480,000. As at 31 March 2017, the Group had current liabilities of approximately HK$684,648,000 and total borrowings, including promissory notes, of approximately HK$2,197,848,000 of which approximately HK$54,459,000 will be due in the coming twelve months from the end of the reporting period. As at the same date, the Group also had capital commitments of approximately HK$241,552,000, while its net current assets and cash and cash equivalents amounted to approximately HK$754,929,000 and HK$242,047,000, respectively.

In view of the above, the Directors have reviewed the Group's cash flow projections covering a period of twelve months from 31 March 2017 which have taken into account the following measures.

(1) Chongqing Kingstone Land Co., Ltd. ("Chongqing Kingstone"), an indirect wholly-owned subsidiary of the Company, has commenced the sales of the properties in March 2017 which is expected to generate operating cash inflows to the Group;

(2) On 6 March 2017, a main contractor of Chongqing Kingstone, which is an independent third party of the Group, has undertaken and agreed to extend the credit period granted to Chongqing Kingstone in respect of certain construction costs in relation to the redevelopment of the property in Chongqing with a total amount of approximately HK$325,022,000, of which approximately HK$125,043,000 has been recorded as construction costs accruals and payables as at 31 March 2017 and approximately HK$199,979,000 has been included as capital commitments of the Group (note 14) as at 31 March 2017. The main contractor has agreed not to demand for any repayment of the above amounts payable or committed by Chongqing Kingstone on or before 30 June 2018 (note 11(ii));

(3) On 12 January 2017, the Group obtained a 2-year unsecured revolving loan facility of HK$200,000,000 with an annual interest rate of 8% from a company (the "financing company"), a subsidiary of a company listed on the Stock Exchange. Such listed company and the Company had common shareholders and executive directors. As at 31 March 2017 and up to the date of these consolidated financial statements, the Group has unutilised facilities of HK$150,000,000 (note 12(iii));

(4) Non-controlling shareholders of a subsidiary of the Company have agreed not to demand for any repayment of loans from them of approximately HK$86,938,000 as at 31 March 2017 until the Group is in a financial position to do so;

(5) Mr. Tsoi Tung ("Mr. Tsoi"), a director of Chongqing Kingstone, and those companies under his control have agreed not to demand for any repayment of amounts due to them in aggregate of approximately HK$132,093,000 as at 31 March 2017 on or before 30 June 2018;

(6) The Group will not early redeem any promissory notes of the Company before the maturity date until the Group is in a financial position to do so; and

(7) The Group will consider to raise additional capital, as and when needed, by carrying out fund raising activities, to finance the operations of the Group.

Based on the above, in the opinion of the Directors, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 March 2017. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. These consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. REVENUE

Revenue represents (i) the proceeds from sales of properties; and (ii) the amounts received and receivable in respect of leasing of investment properties during the year. An analysis of the Group's revenue for the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Sales of properties	**162,786**	138,320
Rental income	**31,411**	52,378
	194,197	190,698

3. SEGMENT INFORMATION

The executive directors of the Company have been identified as the chief operating decision-maker (the "CODM"). Management determines the operating segments based on the Group's internal reports, which are reviewed by the CODM for performance assessment and resources allocation.

During the year ended 31 March 2017, following the completion of the acquisition of Gloryear Investments Limited and its subsidiaries (the "Gloryear Group") (note 15), the composition of the Group's internal organisation has been changed such that the CODM commenced to review the Group's business by geographical locations, namely (i) Eastern China, in which CP&J City was located in; and (ii) Western China, in which the property of Chongqing Kingstone was located in. During the year ended 31 March 2016, the Group's operating activity was attributable to a single operating and reporting segment focusing on development, investment, sales and leasing of properties. In order to align the restructured internal management and reporting structure reviewed by the CODM during the year ended 31 March 2017, the segment information of comparative year has been restated into two operating and reporting segments, namely Eastern China and Southern China, in which Man Sang Industrial City was located in, to conform with current year presentation. During the year ended 31 March 2016, Man Sang Industrial City was disposed of following the disposal of Man Sang Jewellery Company Limited and its subsidiaries (the "Man Sang Jewellery Group") (note 16).

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reporting and operating segments.

For the year ended 31 March 2017:

	Eastern China *HK$'000*	**Western China** *HK$'000*	**Total** *HK$'000*
Segment revenue			
Revenue from external customers	**60,483**	**133,714**	**194,197**
Segment operating (loss) profit	**(14,821)**	**75,707**	**60,886**
Finance income	**2,010**	**20**	**2,030**
Finance costs	**–**	**(42,019)**	**(42,019)**
Segment (loss) profit	**(12,811)**	**33,708**	**20,897**
Unallocated finance income			**3**
Unallocated finance costs			**(63,579)**
Corporate expenses			**(22,072)**
Loss before tax			**(64,751)**

For the year ended 31 March 2016:

	Eastern China *HK$'000* (restated)	Southern China *HK$'000* (restated)	Total *HK$'000* (restated)
Segment revenue			
Revenue from external customers	175,705	14,993	190,698
Segment operating profit	80,983	16,275	97,258
Finance income	3,404	731	4,135
Finance costs	(1,532)	–	(1,532)
Share of profit of an associate	15	–	15
Segment profit	82,870	17,006	99,876
Unallocated income and gains			21,575
Unallocated finance costs			(638)
Corporate expenses			(14,709)
Profit before tax			106,104

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain finance income, certain finance costs, fair value change in financial assets at fair value through profit or loss ("FVTPL"), gain on disposal of subsidiaries (note 16) and corporate expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

The Company is domiciled in Hong Kong. All the Group's revenue from external customers are derived from the People's Republic of China (the "PRC"), hence no information of the Group's revenue by the geographical location is presented.

Revenue from the transactions with one individual customer presented in Western China segment amounted to approximately HK$133,714,000 was more than 10% of the total revenue of the Group for the year ended 31 March 2017.

Revenue from the transactions with each single customer amounted to less than 10% of total revenue of the Group for the years ended 31 March 2016.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

At 31 March 2017:

	Eastern China *HK$'000*	**Western China** *HK$'000*	**Total** *HK$'000*
Segment assets	**1,182,555**	**2,719,323**	**3,901,878**
Unallocated corporate assets			**454,027**
Total assets			**4,355,905**
Segment liabilities	**623,312**	**1,343,629**	**1,966,941**
Unallocated corporate liabilities			**1,260,197**
Total liabilities			**3,227,138**

At 31 March 2016:

	Eastern China *HK$'000* (restated)	Southern China *HK$'000* (restated)	Total *HK$'000* (restated)
Segment assets	1,261,984	–	1,261,984
Unallocated corporate assets			565,992
Total assets			1,827,976
Segment liabilities	659,717	–	659,717
Unallocated corporate liabilities			4,126
Total liabilities			663,843

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other borrowings, promissory notes and other unallocated head office and corporate liabilities.

The total non-current assets (excluded other receivables) based on geographical location of the assets are located in Hong Kong and the PRC of approximately HK$609,000 (2016: nil) and HK$2,913,831,000 (2016: HK$800,219,000) respectively.

(c) Other Segment information:

For the year ended 31 March 2017:

	Eastern China *HK$'000*	**Western China** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amount included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	**64**	**–**	**78**	**142**
Decrease (increase) in fair values of investment properties and investment properties under construction	**47,844**	**(6,107)**	**–**	**41,737**
Additions (including transfer) to non-current assets (other than other receivables)	**6,353**	**2,280,942**	**689**	**2,287,984**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Income tax (credit) expenses	**(11,183)**	**68,912**	**–**	**57,729**

For the year ended 31 March 2016:

	Eastern China *HK$'000* (restated)	Southern China *HK$'000* (restated)	Unallocated *HK$'000*	Total *HK$'000*
Amount included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	313	75	–	388
Decrease (increase) in fair values of investment properties and investment properties under construction	2,086	(8,024)	–	(5,938)
Additions (including transfer) to non-current assets (other than other receivables)	25,668	–	–	25,668
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Income tax expenses (credit)	35,175	3,473	(25)	38,623

4. OTHER GAINS

	2017 *HK$'000*	2016 *HK$'000*
Fair value change in financial assets at FVTPL	**–**	2,007
Gain on disposal of subsidiaries *(note 16)*	**–**	19,398
Others	**158**	1,364
	158	22,769

5. FINANCE INCOME AND FINANCE COSTS

	2017 *HK$'000*	2016 *HK$'000*
Finance income		
Bank interest income	**1,149**	2,708
Other interest income	**884**	1,597
	2,033	4,305
Finance costs		
Interest on bank and other borrowings	**74,035**	3,461
Interest on promissory notes *(note 13)*	**47,938**	–
	121,973	3,461
Less: amount capitalised on qualifying assets	**(16,375)**	(1,291)
	105,598	2,170

6. INCOME TAX EXPENSES

	2017 *HK$'000*	2016 *HK$'000*
Current income tax		
— PRC Enterprise Income Tax ("PRC EIT")	**9,967**	24,540
— PRC land appreciation tax	**69,129**	14,488
	79,096	39,028
Over-provision in prior year:		
— Hong Kong profits tax	**–**	(25)
Deferred income tax	**(21,367)**	(380)
	57,729	38,623

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been provided since no assessable profits have been generated during the year ended 31 March 2017 (2016: nil).

PRC EIT

The PRC EIT in respect of operations in the Mainland China is calculated at a rate of 25% (2016: 25%) on the estimated assessable profits for the year ended 31 March 2017 under the Law of the PRC's on EIT (the "EIT Law") and Implementation Regulation of the EIT Law.

Withholding tax on distributed/undistributed profits

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

The PRC land appreciation tax

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations 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.

7. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
Staff costs (including directors of the Company)		
— salaries and other allowances	**23,008**	17,740
— retirement benefits scheme contributions	**2,064**	1,215
	25,072	18,955
Cost of completed properties held for sales	**60,810**	79,957
Auditor's remuneration	**1,880**	1,270
Depreciation of property, plant and equipment	**142**	388
Minimum lease payment under operating lease rentals in respect of rented premises	**880**	114

8. (LOSS) EARNINGS PER SHARE

(a) Basic (loss) earnings per share

The calculation of the basic (loss) earnings per share is based on the (loss) profit for the year attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

	2017	2016 (restated)
(Loss) profit for the year attributable to equity holders of the Company for the purpose of basic (loss) earnings per share *(HK$'000)*	**(121,926)**	51,192
Weighted average number of ordinary shares in issue for the purpose of basic (loss) earnings per share *('000)*	**1,751,323**	1,528,813
Basic (loss) earnings per share *(HK$)*	**(0.070)**	0.033

(b) Diluted (loss) earnings per share

	2017	2016 (restated)
(Loss) profit for the year attributable to equity holders of the Company for the purpose of diluted (loss) earnings per share *(HK$'000)*	**(121,926)**	51,192
Weighted average number of ordinary shares in issue for the purpose of basic (loss) earnings per share *('000)*	**1,751,323**	1,528,813
Effect of dilutive potential ordinary shares on share options outstanding during the year *('000)*	**–**	206
Weighted average number of ordinary shares in issue for the purpose of diluted (loss) earnings per share *('000)*	**1,751,323**	1,529,019
Diluted (loss) earnings per share *(HK$)*	**(0.070)**	0.033

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

10. DEPOSITS, PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**362**	384
Less: allowance for impairment of trade receivables	**(362)**	(384)
Trade receivables, net	**–**	–
Refundable deposit for acquisition of subsidiaries *(note (i))*	**400,000**	–
Consideration receivable from disposal of subsidiaries *(note (ii))*	**–**	189,400
Deposits and other receivables	**67,774**	39,908
Prepayments	**66,207**	70
	533,981	229,378
Analyse for reporting purpose as:		
Non-current portion	**55,991**	2,931
Current portion	**477,990**	226,447
	533,981	229,378

The Group does not have any collaterals over these balances as at 31 March 2017 (2016: nil).

The Group's trade receivables of approximately HK$362,000 (2016: HK$384,000) were aged more than 1 year and past due more than 1 year (2016: more than 1 year).

The Group has provided fully for all receivables where recovery of the amounts is remote, unless the Group has determined that such balances are not recoverable, in which case the impairment loss is directly written off against the corresponding trade receivables.

Notes:

(i) On 2 November 2016, the Group entered into a sales and purchase agreement with Mr. Tsoi and the spouse of the holder of the Company's promissory notes (note 13) to acquire a property in Shanghai with a total consideration of RMB500,000,000 (equivalent to HK$565,000,000). During the year ended 31 March 2017, a refundable deposit of HK$400,000,000 was paid to Mr. Tsoi. The deposit is refundable if conditions have not been met by Mr. Tsoi as mutually agreed in the sales and purchase agreement.

Subsequent to the end of the reporting period on 14 August 2017, the above-mentioned proposed acquisition has been terminated and the refundable deposit of HK$400,000,000 were fully refunded by Mr. Tsoi.

Further details were set out in the Company's announcement dated 2 November 2016, 26 May 2017 and 14 August 2017.

(ii) The balance represented the consideration receivable in respect of the disposal of the Man Sang Jewellery Group and the amount was fully settled during the year ended 31 March 2017.

11. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**–**	2,468
Loans from non-controlling shareholders *(note (i))*	**86,938**	86,938
Advance receipts from customers	**106,224**	84,749
Construction costs accruals and payables *(note (ii))*	**233,047**	88,357
Amount due to Mr. Tsoi *(note (iii))*	**48,757**	–
Amounts due to the companies under control of Mr. Tsoi *(note (iii))*	**83,336**	–
Other accruals and payables	**140,647**	91,767
	698,949	354,279
Analyse for reporting purpose as:		
Non-current portion	**257,136**	–
Current portion	**441,813**	354,279
	698,949	354,279

The ageing analysis of trade payables based on due date at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
Past due		
0 to 60 days	**–**	1,963
61 to 120 days	**–**	–
More than 120 days	**–**	505
	–	2,468

Notes:

(i) The loans from non-controlling shareholders are interest-free, unsecured and repayable on demand.

(ii) On 6 March 2017, a main contractor of Chongqing Kingstone, which is an independent third party of the Group, has undertaken and agreed to extend the credit period granted to Chongqing Kingstone in respect of certain construction costs in relation to the redevelopment of the property in Chongqing with a total amount of approximately HK$325,022,000, of which approximately HK$125,043,000 had been recorded as construction costs accruals and payables as at 31 March 2017 and approximately HK$199,979,000 has been included as capital commitments of the Group (note 14) as at 31 March 2017. The main contractor has agreed not to demand for any repayment of the above amounts payable or committed by Chongqing Kingstone before 30 June 2018. Accordingly, the construction costs accruals and payables are classified under non-current liabilities.

(iii) The outstanding advance from Mr. Tsoi had taken into account (i) various advances from independent third parties in aggregate of HK$209,190,000 to Chongqing Kingstone that are assigned to Mr. Tsoi pursuant to various tripartite agreements entered into on 31 March 2017; (ii) receivables of approximately HK$85,841,000 from companies under the control of Mr. Tsoi that is assigned to Mr. Tsoi pursuant to a tripartite agreement entered into on 31 March 2017; and (iii) various payments made at the request of Mr. Tsoi in aggregate of approximately HK$72,885,000.

The amounts are interest-free, unsecured and denominated in RMB. The amounts are not repayable on or before 30 June 2018 and classified under non-current liabilities.

12. BANK AND OTHER BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Current:		
Secured bonds — interest portion *(note (i))*	**14,597**	–
Unsecured revolving loan — interest portion *(note (iii))*	**44**	–
Unsecured loans — principal and interest portion *(note (iv))*	**39,818**	–
	54,459	–
Non-current:		
Secured bonds *(note (i))*	**396,042**	–
Secured trustee loan *(note (ii))*	**904,000**	–
Unsecured revolving loan *(note (iii))*	**50,000**	–
	1,350,042	–
Total bank and other borrowings	**1,404,501**	–

Carrying amount repayable (based on a scheduled repayment dates are set out in the loan agreements):

	2017	2016
	HK$'000	*HK$'000*
On demand	**39,818**	–
Within 1 year	**14,641**	–
Between 1 and 2 years	**1,350,042**	–
	1,404,501	–

	2017	2016
	HK$'000	*HK$'000*
Carrying amount of bank and other borrowings that are repayable on demand due to the default on repayment	**39,818**	–
Interest portions of bank and other borrowings	**14,641**	–
Amounts shown under current liabilities	**54,459**	–
Amounts shown under non-current liabilities	**1,350,042**	–
	1,404,501	–

Notes:

(i) The Group 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, comprising an aggregate principal amount of HK$400,000,000. The bonds carried a fixed interest rate of 9% per annum with the interest payable semi-annually and will mature on 4 November 2018. The secured bonds are secured by the equity interests in Free Gain Ventures Limited, a wholly-owned subsidiary of the Company.

The effective interest rate of the secured bonds is 9%.

Subsequent to the end of the reporting period on 18 August 2017, the Group has early settled the secured bonds of HK$400,000,000 (note 17).

(ii) The Group entered into a fund arrangement with a financial institution (the "Trustee"), which is an independent third party of the Group. Pursuant to the fund arrangement, the Trustee raised a three-year trustee loan with principal amount of RMB800,000,000, equivalent to approximately HK$904,000,000, which will be matured on 24 June 2018. The trustee loan carried a fixed interest rate of 8.1% per annum, with the interest payable quarterly. The entire amount to the trustee loan was used to finance the redevelopment of its property in Chongqing Kingstone.

The trustee loan was secured by the Group's investment properties under construction, property, plant and equipment, prepaid lease payments and properties under development of approximately HK$1,441,259,000, HK$443,020,000, HK$262,042,000 and HK$427,035,000, respectively.

The effective interest rate of the trustee loan is 8%.

(iii) The Group entered into a two-year revolving loan facilities of HK$200,000,000 with the financing company to finance the Group's funding needs. The facilities are unsecured, carried a fixed interest rate of 8% per annum with the interest payable quarterly, and will mature on 12 January 2019. As at 31 March 2017, the Group has drawn down HK$50,000,000 of the facilities.

The effective interest rate of the revolving loan is 8%.

(iv) The secured loans represented aggregate term loans of RMB20,000,000, equivalent to HK$22,600,000, matured on 26 October 2016 and a term loan of RMB10,000,000, equivalent to HK$11,300,000, matured on 29 October 2016. The secured loans carried a fixed interest rate of 12% per annum and is guaranteed by a company beneficially owned by Mr. Tsoi. As at 31 March 2017, such loans were in default for immediate repayment. Daily interest rate of 0.05% as stated in the loan agreement, has been charged starting from the date of the default on repayment and the penalty of RMB2,000,000, equivalent to HK$2,260,000. Aggregate amount of penalty and late charges of approximately HK$5,918,000 have been charged to the Group for the year ended 31 March 2017 and included in finance cost for the year. The secured loans remained outstanding as of the date of this report.

The effective interest rate of the secured loans is 12%.

At the end of the reporting period, the Group has the following undrawn facilities:

	2017	2016
	HK$'000	*HK$'000*
Fixed rate		
— expiring on 28 March 2019	**150,000**	–

13. PROMISSORY NOTES

	2017	2016
	HK$'000	*HK$'000*
At the beginning of the year	**–**	–
Issue of promissory notes	**1,168,000**	–
Redemption	**(390,000)**	–
Interest charge *(note 5)*	**47,938**	–
Interest paid upon early redemption	**(32,591)**	–
At the end of the year	**793,347**	–

On 28 July 2016, the Company issued promissory notes with a principal amount of HK$1,168,000,000 as part of the consideration to acquire the entire equity interest in the Gloryear Group (note 15). The promissory notes are unsecured, carried a fixed interest rate of 8% per annum and will be matured on 28 July 2019. All interests will be accrued and paid on maturity date. The Company may redeem (in full or in part) the promissory note at any time after the date of issue of the promissory notes and before the maturity date by serving prior notice to the promissory notes holder. The promissory notes are measured at amortised cost, using the effective interest rates at 8% per annum.

During the year ended 31 March 2017, the Company had early redeemed part of the promissory notes with principal amount of HK$390,000,000 with payment of interest of approximately HK$32,591,000.

14. CAPITAL COMMITMENTS

	2017	2016
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements		
— Construction of properties	**241,552**	4,326

15. ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS ASSETS ACQUISITION

On 28 July 2016, the Group acquired entire equity interests in the Gloryear Group, for a consideration paid and directly attributable costs of HK$1,468,000,000 and acquisition-related costs approximately HK$4,884,000. The major assets of the Gloryear Group are property, plant and equipment, prepaid lease payments, investment properties under construction and properties under development, and accordingly, the transactions have been accounted for as an assets acquisition.

The following table summarises the consideration paid for the acquisition of the Gloryear Group.

	28 July 2016 to 31 March 2017
	HK$'000
Purchase consideration	
— Cash paid	**300,000**
— Promissory notes	**1,168,000**
Total consideration transferred	**1,468,000**
Directly attributable costs	**4,884**
	1,472,884

The amounts of the identifiable assets acquired and liabilities assumed recognised at the acquisition date are summarised in the following table:

	28 July 2016
	HK$'000
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 *(note)*	**91,646**
Amount due from Mr. Tsoi	**1,476**
Amount due from a company under control of Mr. Tsoi	**700**
Cash and cash equivalents	**1,782**
Other payables *(note)*	**(194,437)**
Amount due to companies under control of Mr. Tsoi	**(89,380)**
Bank borrowing	**(966,480)**
Total net identifiable assets	**1,472,884**

Note: Included in prepayments and other receivables was other receivable of approximately HK$22,064,000 in respect of the loss from the termination of the hotel operation of the Gloryear Group, which has been indemnified by the spouse of Mr. Tsoi pursuant to the sales and purchase agreement. The corresponding compensation payable was included in other payables.

16. DISPOSAL OF SUBSIDIARIES

On 3 February 2016, the Group entered into an agreement with Hua Yang Global Limited, a company wholly owned by Mr. Cheng Chung Hing, the substantial shareholder of the Company, to dispose of its entire equity interests in the Man Sang Jewellery Group for a total consideration of HK$189,400,000, consisting of HK$65,000,000 for the sales of shares of the Man Sang Jewellery Group and HK$124,400,000 for the sales of loan receivable from the Man Sang Jewellery Group, which was determined with reference to its consolidated financial position as at 31 March 2016. The disposal was completed on 31 March 2016.

	31 March 2016
	HK$'000
Cash consideration	189,400
Less: Direct transaction costs in relation to the disposal	(951)
Net consideration	188,449
Analysis of assets and liabilities over which control was lost:	
Investment properties	191,640
Property, plant and equipment	398
Other receivables	525
Cash and cash equivalents	56,083
Other payables	(9,386)
Income tax liabilities	(3,054)
Deferred tax liabilities	(46,806)
Net assets disposed of	189,400
Add: Reclassification of exchange reserve upon disposal of subsidiaries	20,349
Gain on disposal of subsidiaries *(note 4)*	19,398

17. EVENT AFTER THE REPORTING PERIOD

As disclosed in note 10(i), the proposed acquisition has been terminated and the refundable deposit of HK$400,000,000 at 31 March 2017, plus interest accrued, were received by the Company on 14 August 2017. The amount has been used to early settle on secured bonds with principal amount of HK$400,000,000 on 18 August 2017.

Details are set out in the Company's announcement dated 18 August 2017.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

The Board is pleased to report the results of the Group for the year ended 31 March 2017 ("FY17"). During FY17, the consolidated loss attributable to equity holders of the Company was HK$121.9 million (year ended 31 March 2016 ("FY16"): profit of HK$51.2 million). Basic loss per share was HK$0.070 (FY16: earnings of HK$0.033).

Business Review

The Group focuses on the development, sales and leasing of properties in Mainland China. During FY17, property sales volume and property price in small to medium cities in Mainland China remained subdued and continued to be under downward adjustment pressure.

CP&J City

China Pearls and Jewellery 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 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. The Company is currently evaluating the total investment costs required for the development of phase 2 of CP&J City, including but not limited to the finance costs, land and construction costs, against the expected return to be generated from the phase 2 of CP&J City to determine whether or not this project is financially feasible and would be able to generate reasonable return to the Company and its shareholders.

Chongqing Kingstone

In July 2016, the Company has completed the acquisition of Chongqing Kingstone at a consideration, before directly attributable costs, of HK$1,468 million (the "Acquisition"). The Company issued promissory notes (the "Promissory Notes") with a principal amount of HK$1,168 million as part of the consideration of the Acquisition. The Promissory Notes are unsecured, interest bearing at 8% per annum and mature at the third anniversary from the date of issue, being 28 July 2019. 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 end of 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 has commenced the sale of apartments in FY17 and revenue of HK$133.7 million has been recognised from such sales during FY17. The Group targets to commence leasing of the first batch of retail units by the end of 2017 or the first quarter of 2018.

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 net proceeds from the subscription of approximately HK$190.5 million were fully utilized for early redemption of part of the Promissory Notes in FY17.

Proposed acquisition of a property located in Shanghai

As announced on 2 November 2016, the Company has signed a sale and purchase agreement (the "Agreement") to purchase a property located in the central business district of Shanghai, the PRC (the "Property") 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 upon completion of the transaction (the "Proposed Acquisition"). During the course of the due diligence investigation, it has come to the attention of the Company that other than the litigations involving the company holding the Property that were already known to the Company as at the date of the Agreement, there are certain other litigations involving the company holding the Property which remain unsettled and the corresponding settlement amounts are yet to be ascertained. It is considered that substantial time and capital would be required to ascertain the settlement amounts of the abovementioned litigations so as to determine the final adjustment to the consideration. On 14 August 2017, the parties to the Agreement therefore entered into a deed of termination pursuant to which the parties to the Agreement mutually irrevocably and unconditionally agreed that the Proposed Acquisition be terminated immediately and cease to have any effect. The vendor has also refunded the deposit of HK$400 million (together with the interest incurred at a rate of 9.5% per annum on the deposit for the period from the payment date to the return date of the deposit) to the Company.

Issuance of bonds

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$400.0 million (the "Bonds"). The net proceeds from the Bonds of approximately HK$395.0 million were fully utilized for the payment of the refundable deposit of the Proposed Acquisition. The Company has redeemed the Bonds in the principal amount of HK$400.0 million plus interest on 18 August 2017 (the "Early Redemption"). The Early Redemption was fully funded by the return of the refundable deposit of HK$400.0 million previously paid by the Company in respect of the Proposed Acquisition plus interest as such transaction has been terminated on 14 August 2017.

Looking forward

There are currently two property development projects in the Group, namely CP&J City in Zhuji, the PRC and a property located in the central business district of Chongqing, the PRC. Phase 1 of CP&J City has been substantially completed. It is preliminarily proposed that Phase 2 of CP&J City will comprise residential apartments, commercial buildings and a market centre, which is expected to incur substantial capital due to the size of Phase 2 of CP&J City, 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.

The Company has also been continuously evaluating the current business strategies of the Group and the financing performance of the Group's existing businesses with an aim to achieve the best use of its resources and improve its overall performance and portfolio diversification. The Company has been actively looking to diversify the revenue sources of the Group in order to create shareholders' value through making investments and/or acquiring business or projects that have promising outlooks and prospects.

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$194.2 million (FY16: HK$190.7 million) during FY17, which comprised sales of properties of HK$162.8 million (FY16: HK$138.3 million) and rental income of HK$31.4 million (FY16: HK$52.4 million).

The revenue from sales of properties mainly represented (1) sales of residential apartments in Chongqing Kingstone of HK$133.7 million in FY17 (FY16: Nil); and (2) sales of residential apartments and commercial plaza in CP&J City which were completed in FY16 and has decreased by HK$109.2 million to HK$29.1 million (FY16: HK$138.3 million) during FY17 as a result of the completion of two residential apartments and a commercial complex in FY16 where significant contracted sales were recognized in FY16 and no new property was completed in CP&J City in FY17.

As the disposal of the entire equity interest in a wholly-owned subsidiary which owns, manages and operates 27 blocks of industrial properties in Shenzhen for leasing had been completed in March 2016, rental income decreased by HK$21.0 million or 40.1% to HK$31.4 million (FY16: HK$52.4 million) in FY17.

Gross profit of the Group therefore increased by HK$25.4 million or 23.6% to HK$133.0 million (FY16: HK$107.6 million) in FY17.

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

S&A expenses mainly comprised selling expenses of HK$11.4 million (FY16: HK$5.0 million) and administrative expenses of HK$45.2 million (FY16: HK$28.7 million). S&A expenses increased by HK$22.9 million or 68.0% to HK$56.6 million (FY16: HK$33.7 million) in FY17, 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 FY17.

Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company of HK$121.9 million (FY16: profit of HK$51.2 million) was primarily due to (1) an increase in finance costs of HK$47.9 million as a result of the Promissory Notes issued by the Company as part of the consideration for the Acquisition, which was completed on 28 July 2016, at the interest rate of 8% per annum; (2) an increase in finance costs of HK$42.0 million due to the trustee loan and secured loans of the newly acquired property from the Acquisition; (3) an increase in finance costs of HK$14.6 million in relation to the Bonds issued by the Company in November 2016 at the interest rate of 9% per annum; and (4) a loss in fair values of investment properties and investment properties under construction of HK$41.7 million in FY17 in contrast to a gain in fair values of investment properties and investment properties under construction of HK$5.9 million in FY16.

Liquidity and capital resources

As at 31 March 2017, the Group's total equity, including non-controlling interests, was HK$1,128.8 million (2016: HK$1,164.1 million), representing an decrease of 3.0% from last year.

As at 31 March 2017, the Group had cash and bank balances of HK$242.7 million (2016: HK$463.1 million). Cash and bank balances were mainly denominated in Hong Kong dollars and Chinese Renminbi. The Group's working capital or net current assets were HK$754.9 million (2016: HK$533.7 million). The current ratio, represented by the current assets divided by the current liabilities, was 2.1 (2016: 2.1).

As at 31 March 2017, the Group's total borrowings (including the Promissory Notes), which were denominated in Hong Kong dollars and Renminbi were HK$2,197.8 million (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 1.9 (2016: Nil).

During FY17, the Group reported net loss of approximately HK$122,480,000. As at 31 March 2017, the Group had current liabilities of approximately HK$684,648,000 and total borrowings, including the Promissory Notes, of approximately HK$2,197,848,000 of which approximately HK$54,459,000 will be due in the coming twelve months from the end of the reporting period. As at the same date, the Group also had capital commitments of approximately HK$241,552,000, while its net current assets and cash and cash equivalents amounted to approximately HK$754,929,000 and HK$242,047,000, respectively.

In view of the above, the Directors have reviewed the Group's cash flow projections covering a period of twelve months from 31 March 2017 which have taken into account the following measures.

(1) Chongqing Kingstone has commenced the sales of the properties in March 2017 which is expected to generate operating cash inflows to the Group;

(2) On 6 March 2017, a main contractor of Chongqing Kingstone, which is an independent third party of the Group, has undertaken and agreed to extend the credit period granted to Chongqing Kingstone in respect of certain construction costs in relation to the redevelopment of the property in Chongqing with a total amount of approximately HK$325,022,000, of which approximately HK$125,043,000 has been recorded as construction costs accruals and payables as at 31 March 2017 and approximately HK$199,979,000 has been included as capital commitments of the Group as at 31 March 2017. The main contractor has agreed not to demand for any repayment of the above amounts payable or committed by Chongqing Kingstone on or before 30 June 2018;

(3) On 12 January 2017, the Group obtained a 2-year unsecured revolving loan facility of HK$200,000,000 with an annual interest rate of 8% from the financing company. As at 31 March 2017 and up to the date of these consolidated financial statements, the Group has unutilised facilities of HK$150,000,000;

(4) Non-controlling shareholders of a subsidiary of the Company have agreed not to demand for any repayment of loans from them of approximately HK$86,938,000 as at 31 March 2017 until the Group is in a financial position to do so;

(5) Mr. Tsoi and the companies under his control have agreed not to demand for any repayment of amounts due to them in aggregate of approximately HK$132,093,000 as at 31 March 2017 on or before 30 June 2018;

(6) The Group will not early redeem any Promissory Notes before the maturity date until the Group is in a financial position to do so; and

(7) The Group will consider to raise additional capital, as and when needed, by carrying out fund raising activities, to finance the operations of the Group.

Based on the above, in the opinion of the Directors, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 March 2017. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. These consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Pledge of Assets

The Group's borrowings were secured by certain investment properties under construction, property, plant and equipment, prepaid lease payments and properties under development in the PRC of HK$1,441.3 million, HK$443.0 million, HK$262.0 million and HK$427.0 million, respectively (2016: Nil).

At 31 March 2017, certain investment properties amounting to approximately HK$14.6 million (2016: HK$15.7 million) were pledged to secure a loan granted by a PRC bank to an independent third party. The charge has been released on 22 April 2017.

Capital structure and use of proceeds from a fund raising activity

On 26 September 2016, a total of 317,528,000 new shares were allotted and issued at the subscription price of HK$0.60 per share. The net proceeds from the subscription are approximately HK$190.5 million. The net proceeds from the subscription of approximately HK$190.5 million were fully utilized for early redemption of part of the Promissory Notes in FY17.

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 FY17.

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.

Financial guarantees

As at 31 March 2017, the Group had contingent liabilities of HK$50.3 million (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.

Human resources and remuneration policy

As at 31 March 2017, the Group had a total workforce of 110 (2016: 76), of whom 9 (2016: 6) were based in Hong Kong. The total staff cost, including directors' emoluments, share options benefit and mandatory provident fund, was approximately HK$25.1 million (2016: HK$19.0 million). Employees were remunerated on the basis of their performance and experience. Remuneration packages, including salary and year-end discretionary bonus, were determined by reference to market conditions and individual performance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 March 2017. To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from all three Independent Non-Executive Directors, namely Mr. Lai Hok Lim, Mr. Lei Seng Fat and Mr. Wong Tak Chuen in accordance with Rule 3.13 of the Listing Rules.

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

AUDIT COMMITTEE

The audit committee, which comprises all three Independent Non-Executive Directors of the Company, has reviewed with the management, the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of the consolidated financial statements of the Group for the year ended 31 March 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2017.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (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 had not been appointed for a specific term and they had retired at the annual general meeting of the Company held on 15 July 2016. In the opinion of the Directors, the retirement of each Non-Executive Director at the annual general meeting at least once every three years shall have the same effect of appointing them with a specific term of three years. Nevertheless, following the retirement of Mr. Kiu Wai Ming and Mr. Lau Chi Wah, Alex as mentioned above, the Company has complied with all code provisions as set out in the CG Code and, where appropriate, the applicable recommended best practices of the CG Code.

Save as disclosed above, in the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 March 2017 and, where appropriate, the applicable recommended best practices of the CG Code.

PROSPECTS

There are currently two property development projects in the Group, namely CP&J City in Zhuji, the PRC and a property located in the central business district of Chongqing, the PRC. Phase 1 of CP&J City has been substantially completed. It is preliminarily proposed that Phase 2 of CP&J City will comprise residential apartments, commercial buildings and a market centre, which is expected to incur substantial capital due to the size of the Phase 2 of CP&J City, 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.

The Company has also been continuously evaluating the current business strategies of the Group and the financing performance of the Group's existing businesses with an aim to achieve the best use of its resources and improve its overall performance and portfolio diversification. The Company has been actively looking to diversify the revenue sources of the Group in order to create shareholders' value through making investments and/or acquiring business or projects that have promising outlooks and prospects.

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.

DELAY IN PUBLICATION OF ANNUAL RESULTS

As announced by the Company on 23 June 2017, as more time was required by the Company's the predecessor auditor, PricewaterhouseCoopers ("PwC") to perform their audit procedures, the Company was unable to publish the annual results of the Group for the year ended 31 March 2017 (the "2017 Annual Results") before 30 June 2017. Pursuant to Rule 13.49(1) of the Listing Rules, the Company was required to publish the 2017 Annual Results on a date not later than three months after the end of the financial year, i.e. 30 June 2017, hence the delay in the publication of the announcement of the 2017 Annual Results by the Company constituted a non-compliance with Rule 13.49(1) of the Listing Rules.

DELAY IN DESPATCH OF ANNUAL REPORT

Pursuant to Rule 13.46(1) of the Listing Rules, the Company is required to send the annual report for the year ended 31 March 2017 (the "2017 Annual Report") to its shareholders (the "Shareholders") not later than four months after the date upon which the financial period ended, that is, on or before 31 July 2017. As a result of the abovementioned delay in the publication of the 2017 Annual Results, the Company was unable to despatch the 2017 Annual Report to the Shareholders on or before 31 July 2017 pursuant to the Listing Rules. The delay in the despatch of the 2017 Annual Report by the Company will constitute a non-compliance with Rule 13.46(1) of the Listing Rules.

The Company is currently working towards finalising the 2017 Annual Report for publication and it is anticipated that the 2017 Annual Report will be despatched on or around 6 October 2017.

RESOLUTION OF THE CONCERNS RAISED BY THE PREVIOUS AUDITORS

As announced by the Company on 6 July 2017, PwC indicated that during the course of their audit, they became aware that Chongqing Kingstone, an indirect wholly-owned subsidiary of the Company, received or paid certain cash amounts from/to certain parties during the year ended 31 March 2017 ("Fund Transfers"). These counterparties included third parties as well as certain companies beneficially owned by or otherwise related to Mr. Tsoi Tung, a director of Chongqing Kingstone, and therefore a connected person of the Company at the subsidiary level.

PwC indicated that no supporting documents or agreements were provided to them to support these Fund Transfers. PwC requested to obtain a full explanation and the necessary audit evidence about these receipt/payment transactions, including but not limited to the background and relationships of certain of the above counterparties with the Group, the nature of the underlying transactions together with the related terms, if any, as well as the underlying business reasons. Furthermore, PwC also requested the Board to form an independent investigation committee to commission an independent investigation on these transactions to be conducted by an independent professional advisor.

During the course of the preparation of the 2017 Annual Results, the Directors and the Audit Committee had (i) conducted a full review of the documents/agreements in respect of the Fund Transfers; (ii) conducted background searches on the counterparties involved; and (iii) analysed the nature and background of the Fund Transfers. The Directors and the Audit Committee considered that the Fund Transfers are genuine advances from/repayment to Mr. Tsoi Tung and concluded no independent investigation committee is necessary.

In light of the continuous disagreement and the inability to agree on the scope of work to be performed for the purpose of the audit between the Company and PwC, the Board was of the view that it is in the best interest of the Company and its shareholders for the Company to terminate the audit relationship with PwC, and SHINEWING (HK) CPA Limited ("SHINEWING") was subsequently appointed on 28 August 2017 to replace PwC and to continue with the audit of the consolidated financial statements of the Group for the year ended 31 March 2017.

SHINEWING have adopted relevant audit procedures on each of the transactions involved in the Fund Transfers, including but not limited to (1) reviewing all documents/agreements in respect of the Fund Transfers; (2) obtaining direct confirmations and conducting interviews with the parties involved in the Fund Transfers; and (3) other extended audit procedures which have been agreed with the Audit Committee of the Company, which helped SHINEWING to sort through and analyse the background and relationships of all the counterparties involved in the Fund Transfers with Mr. Tsoi Tong, the nature of the underlying transactions as well as the underlying business reasons.

The Directors and the Audit Committee believe the relevant audit procedures conducted by the Company and SHINEWING are sufficient and adequate to address the concerns raised by PwC over the Fund Transfers. In this respect, it is the understanding of the Directors and the Audit Committee that SHINEWING will issue an unqualified opinion on the consolidated financial statements of the Group for the year ended 31 March 2017.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 23 June 2017 pending the release of this annual results announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company with effect from 9:00 a.m. on 25 September 2017.

BOARD OF DIRECTORS

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

By Order of the Board
MAN SANG INTERNATIONAL LIMITED
Leung Alex
Executive Director and Company Secretary

Hong Kong, 23 September 2017

Remark:

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