MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 2017, together with the unaudited comparative figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**46,548**	34,190
Cost of sales		**(21,623)**	(11,774)
Gross profit		**24,925**	22,416
Other income		**3,351**	2,389
Other gains		**145**	65
Selling expenses		**(5,442)**	(6,887)
Administrative expenses		**(29,942)**	(14,307)
(Decrease) increase in fair values of investment properties and investment properties under construction		**(31,668)**	1,305
Finance income	*4*	**30,556**	1,300
Finance costs	*4*	**(75,650)**	(25,030)

	Notes	Six months ended 30 September **2017** ***HK$'000*** **(Unaudited)**	 2016 *HK$'000* (Unaudited)
Loss before tax	*5*	**(83,725)**	(18,749)
Income tax expenses	*6*	**(363)**	(6,456)
Loss for the period		**(84,088)**	(25,205)
Attributable to:			
— Equity holders of the Company		**(81,334)**	(30,279)
— Non-controlling interests		**(2,754)**	5,074
		(84,088)	(25,205)
Loss per share, basic and diluted	*8*	**HK$ (0.043)**	HK$ (0.019)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(84,088)**	(25,205)
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**88,691**	–
Total comprehensive income (loss) for the period	**4,603**	(25,205)
Attributable to:		
— Equity holders of the Company	**(1,922)**	(30,279)
— Non-controlling interests	**6,525**	5,074
	4,603	(25,205)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

	Notes	**30 September 2017** **HK$'000** **(Unaudited)**	31 March 2017 HK$'000 (Audited)
Non-current assets			
Investment properties		**650,888**	652,123
Investment properties under construction		**1,650,408**	1,502,392
Property, plant and equipment		**507,870**	443,780
Prepayments and other receivables	*9*	**73,137**	55,991
Prepaid lease payments		**268,498**	262,042
		3,150,801	2,916,328
Current assets			
Properties under development		**496,705**	463,340
Completed properties held for sale		**261,059**	255,538
Deposits, prepayments, trade and other receivables	*9*	**78,381**	477,990
Restricted bank balance		**690**	662
Cash and cash equivalents		**264,955**	242,047
		1,101,790	1,439,577
Current liabilities			
Accruals and other payables	*10*	**622,392**	441,813
Current income tax liabilities		**204,966**	188,376
Bank and other borrowings	*11*	**1,061,553**	54,459
		1,888,911	684,648
Net current (liabilities) assets		**(787,121)**	754,929
Total assets less current liabilities		**2,363,680**	3,671,257

	Notes	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited)
Non-current liabilities			
Other payables	*10*	**247,599**	257,136
Deferred income tax liabilities		**138,159**	141,965
Promissory notes	*12*	**824,552**	793,347
Bank and other borrowings	*11*	**20,000**	1,350,042
		1,230,310	2,542,490
Net assets		**1,133,370**	1,128,767
Capital and reserves			
Share capital		**190,617**	190,617
Reserves		**794,842**	796,764
Equity attributable to equity holders of the Company		**985,459**	987,381
Non-controlling interests		**147,911**	141,386
Total equity		**1,133,370**	1,128,767

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

In preparing the condensed consolidated interim financial information, the directors of the Company have given consideration to the future liquidity of the Group.

During the six months ended 30 September 2017, the Group reported net loss of approximately HK$84,088,000. As at 30 September 2017, the Group had net current liabilities of approximately HK$787,121,000 and total borrowings, including promissory notes, of approximately HK$1,906,105,000 of which approximately HK$1,061,553,000 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$242,427,000 (note 13).

In view of the above, the directors of the Company have reviewed the Group's cash flow projection covering a period of twelve months from 30 September 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 since March 2017 which is expected to generate operating cash inflows to the Group;

(2) 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 30 September 2017, the Group has unutilised facility from the financing company of HK$180,000,000, which remain valid up to the date of this condensed consolidated interim financial information (note 11(ii));

(3) Secured trustee loan with carrying amount of RMB800,000,000, equivalent to HK$944,000,000, as at 30 September 2017 is repayable within one year after the end of the reporting period pursuant to the loan agreement. In the opinion of the directors of the Company, the Group will be able to renew the secured trustee loan or obtain new loans from other banks in full upon its maturity for the operation requirements of the Group based on the fair value of the secured properties of RMB23,550,000,000, equivalent to HK$27,789,000,000, as at 30 September 2017 which have been pledged as security for the secured trustee loan;

(4) 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$247,599,000 (note 10) as at 30 September 2017 on or before 31 December 2018;

(5) 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

(6) 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 of the Company, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2017. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis. This condensed consolidated interim financial information does 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 the sale of properties; and (ii) the amounts received and receivable in respect of leasing of investment properties during the period. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of properties	**31,475**	17,834
Rental income	**15,073**	16,356
	46,548	34,190

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 submitted to the CODM for performance assessment and resources allocation.

During the six months ended 30 September 2017, following the completion of the acquisition of Gloryear Investments Limited and its subsidiaries (collectively referred to as the "Gloryear Group") on 28 July 2016, 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; and (ii) Western China, in respect of the location of the properties of the Group, for the purpose of resource allocation and assessment of segment performance. During the six months ended 30 September 2016, the CODM determines the operating segments by project base and assess the property development in two operating segments, namely China Pearls and Jewellery City and Chongqing Kingstone. In order to align the restructured internal management and reporting structure reviewed by the CODM, the segment information of comparative period has been renamed to conform with current period's presentation.

(a) The segment revenue and results are as follows:

For the six months ended 30 September 2017

	Eastern China HK$'000 (Unaudited)	Western China HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment revenue			
Revenue from external customers	**23,753**	**22,795**	**46,548**
Segment operating loss	**(17,890)**	**(7,661)**	**(25,551)**
Finance income	**1,248**	**53**	**1,301**
Finance costs	**–**	**(23,393)**	**(23,393)**
Segment loss	**(16,642)**	**(31,001)**	**(47,643)**
Unallocated finance income			**29,255**
Unallocated finance costs			**(52,257)**
Corporate expenses			**(13,080)**
Loss before tax			**(83,725)**

For the six months ended 30 September 2016

	Eastern China *HK$'000* (Unaudited)	Western China *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue			
Revenue from external customers	34,190	–	34,190
Segment operating profit (loss)	19,684	(5,681)	14,003
Finance income	1,298	–	1,298
Finance costs	–	(8,916)	(8,916)
Segment profit (loss)	20,982	(14,597)	6,385
Unallocated finance income			2
Unallocated finance costs			(16,114)
Corporate expenses			(9,022)
Loss before tax			(18,749)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of certain finance income, certain finance costs 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. As all the Group's revenue from external customers are derived from the People's Republic of China ("PRC"), hence no information of the Group's revenue by the geographical location is presented.

(b) The segment assets and liabilities are as follows:

At 30 September 2017

	Eastern China *HK$'000* **(Unaudited)**	**Western China** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Segment assets	**1,257,726**	**2,989,597**	**4,247,323**
Unallocated corporate assets			**5,268**
Total assets			**4,252,591**
Segment liabilities	**679,377**	**1,593,706**	**2,273,083**
Unallocated corporate liabilities			**846,138**
Total liabilities			**3,119,221**

At 31 March 2017

	Eastern China *HK$'000* (Audited)	Western China *HK$'000* (Audited)	Total *HK$'000* (Audited)
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

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

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

(c) Information about major customers

Revenue from customers of the Group contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
— Customer A*	**6,217**	–
— Customer B*	**5,664**	–
— Customer C*	**5,602**	–
— Customer D*	**5,312**	–

* Revenue from Western China

4. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income		
— Bank interest income	**968**	762
— Other interest income	**333**	538
— Interest income from the refundable deposit	**29,255**	–
	30,556	1,300
Finance costs		
— Interest on bank and other borrowings	**62,116**	13,393
— Interest on promissory notes *(note 12)*	**31,205**	16,114
	93,321	29,507
Less: amount capitalised on qualifying assets	**(17,671)**	(4,477)
	75,650	25,030

5. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of completed properties held for sale	**21,324**	11,293
Depreciation of property, plant and equipment	**140**	32

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
— PRC Enterprise Income Tax	**3,688**	5,132
— PRC land appreciation tax	**8,745**	839
	12,433	5,971
Deferred income tax	**(12,070)**	485
	363	6,456

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been provided since no assessable profits have been generated during the six months ended 30 September 2017 (2016: nil).

The PRC Enterprise Income Tax

The PRC Enterprise Income Tax in respect of operations in the Mainland China is calculated at a rate of 25% (2016: 25%) on the estimated assessable profits for the six months ended 30 September 2017 under the Law of the PRC's on Enterprise Income Tax (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, and 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. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

8. LOSS PER SHARE

Basic and diluted loss per share

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company for the purpose of basic and diluted loss per share *(HK$'000)*	**(81,334)**	(30,279)
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share *('000)*	**1,906,172**	1,597,319
Basic loss per share *(HK$)*	**(0.043)**	(0.019)

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2017 (2016: nil).

9. DEPOSITS, PREPAYMENTS, TRADE AND OTHER RECEIVABLES

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**378**	362
Less: allowance for impairment of trade receivables	**(378)**	(362)
Trade receivables, net	**–**	–
Refundable deposit for acquisition of subsidiaries *(note (i))*	**–**	400,000
Deposits and other receivables *(note (ii))*	**67,345**	67,774
Prepayments *(note (iii))*	**84,173**	66,207
	151,518	533,981
Analyse for reporting purpose as:		
Non-current portion	**73,137**	55,991
Current portion	**78,381**	477,990
	151,518	533,981

The Group's trade receivables of approximately HK$378,000 (31 March 2017: HK$362,000) were aged more than 1 year and past due more than 1 year (31 March 2017: more than 1 year). The ageing analysis of the trade receivables was based on invoice date which approximates the respective revenue recognition dates.

Notes:

(i) The refundable deposit of HK$400,000,000 was fully refunded on 14 August 2017.

(ii) Included in the balance as at 30 September 2017 was other payable of approximately RMB18,387,000 (31 March 2017: RMB18,387,000), equivalent to approximately HK$21,697,000 (31 March 2017: HK$20,777,000), in respect of an indemnification receivable from the vendor of the Gloryear Group for the loss arising from the termination of the hotel operation of the Gloryear Group.

(iii) Included in the balance as at 30 September 2017 was the prepayment for extension of the Group's existing land use rights of approximately RMB55,330,000 (31 March 2017: RMB55,330,000), equivalent to approximately HK$65,289,000 (31 March 2017: HK$62,523,000), for the property in Chongqing from August 2043 to August 2053.

10. ACCRUALS AND OTHER PAYABLES

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loans from non-controlling shareholders *(note (i))*	**86,938**	86,938
Advance receipts from customers	**125,208**	106,224
Construction costs accruals and payables	**272,228**	233,047
Amount due to Mr. Tsoi *(note (ii))*	**43,933**	48,757
Amounts due to the companies under control of Mr. Tsoi *(note (ii))*	**203,666**	83,336
Other accruals and payables *(note (iii))*	**138,018**	140,647
	869,991	698,949
Analyse for reporting purpose as:		
Non-current portion	**247,599**	257,136
Current portion	**622,392**	441,813
	869,991	698,949

Notes:

(i) The balances are interest-free, unsecured and repayable on demand.

(ii) The amounts are interest-free, unsecured, not repayable on or before 31 December 2018, and classified under non-current liabilities.

(iii) Included in the balance as at 30 September 2017 was other payable of approximately RMB18,387,000 (31 March 2017: RMB18,387,000), equivalent to approximately HK$21,697,000 (31 March 2017: HK$20,777,000), in respect of the compensation payable arising from the termination of the hotel operation of the Gloryear Group.

11. BANK AND OTHER BORROWINGS

	30 September 2017 *HK$'000* **(Unaudited)**	31 March 2017 *HK$'000* (Audited)
Current:		
Secured trustee loan *(note (i))*	**944,000**	–
Secured bonds — interest portion *(note (iv))*	**–**	14,597
Unsecured revolving loan — interest portion *(note (ii))*	**242**	44
Unsecured loans — principal and interest portions *(note (iii))*	**117,311**	39,818
	1,061,553	54,459
Non-current:		
Secured bonds *(note (iv))*	**–**	396,042
Secured trustee loan *(note (i))*	**–**	904,000
Unsecured revolving loan *(note (ii))*	**20,000**	50,000
	20,000	1,350,042
Total bank and other borrowings	**1,081,553**	1,404,501

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

	30 September 2017 *HK$'000* **(Unaudited)**	31 March 2017 *HK$'000* (Audited)
On demand	**43,704**	39,818
Within 1 year	**1,017,849**	14,641
After 1 year but within 2 years	**20,000**	1,350,042
	1,081,553	1,404,501

	30 September 2017 *HK$'000* **(Unaudited)**	31 March 2017 *HK$'000* (Audited)
Carrying amount of bank and other borrowings that are repayable on demand due to the default on repayment	**43,704**	39,818
Principal and interest portions of bank and other borrowings	**1,017,849**	14,641
Amounts shown under current liabilities	**1,061,553**	54,459
Amounts shown under non-current liabilities	**20,000**	1,350,042
	1,081,553	1,404,501

Notes:

(i) 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 secured trustee loan with principal amount of RMB800,000,000, equivalent to HK$944,000,000, which will mature on 24 June 2018. The secured trustee loan carried a fixed interest rate of 8.1% per annum, with the interest payable quarterly. The entire amount of the secured trustee loan was used to finance the redevelopment of its property in Chongqing Kingstone.

The secured 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$1,588,695,000 (31 March 2017: HK$1,441,259,000), HK$507,225,000 (31 March 2017: HK$443,020,000), HK$268,498,000 (31 March 2017: HK$262,042,000) and HK$458,794,000 (31 March 2017: HK$427,035,000), respectively.

The effective interest rate of the trustee loan is 8.1%.

(ii) 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 30 September 2017, the Group has drawn down the facilities of HK$20,000,000 (31 March 2017: HK$50,000,000).

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

(iii) Included in the balance was unsecured loans with aggregate principal amount of RMB61,910,000 (31 March 2017: nil), equivalent to approximately HK$73,054,000 (31 March 2017: nil), from the independent third parties of the Group. The amount carried a fixed interest rate of 10% per annum, with the interest payable quarterly. The effective interest rate of the abovementioned unsecured loans is 10%.

The remaining balance was unsecured term loans with aggregate principal amount of RMB30,000,000 (31 March 2017: RMB30,000,000), equivalent to approximately HK$35,400,000 (31 March 2017: HK$33,900,000). The unsecured term loans carried a fixed interest rate of 12% per annum and were guaranteed by a company beneficially owned by Mr. Tsoi. As at 30 September 2017 and 31 March 2017, such unsecured term loans were in default on repayment. The unsecured term loans remained outstanding as of the date of this condensed consolidated interim financial information. The effective interest rate of the unsecured term loans is 12%.

(iv) The Group early settled the secured bonds with aggregate principal amount of HK$400,000,000 on 18 August 2017.

12. PROMISSORY NOTES

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**793,347**	–
Issue of promissory notes	**–**	1,168,000
Redemption	**–**	(390,000)
Interest charge *(note 4)*	**31,205**	47,938
Interest paid upon early redemption	**–**	(32,591)
At the end of the period/year	**824,552**	793,347

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 the date of the maturity.

The promissory notes are measured at amortised cost, using the effective interest rate of 8% per annum.

13. CAPITAL COMMITMENTS

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated interim financial information:		
— Construction of properties	**242,427**	241,552

14. ACQUISITION OF SUBSIDIARIES ACCOUNTED FOR AS ACQUISITION OF ASSETS

On 28 July 2016, the Group acquired entire equity interests in the Gloryear Group, at a consideration of HK$1,468,000,000 and acquisition-related costs of 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 acquisition of assets.

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

	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 as follows:

	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)
Amounts due to companies under control or Mr. Tsoi	(89,380)
Bank borrowing	(966,480)
Total identifiable net assets	1,472,884
Net cash outflows arising from acquisition of subsidiaries:	
Cash paid	(300,000)
Cash and cash equivalents acquired	1,782
Directly attributable costs	(4,884)
	(303,102)

Note: Included in prepayments and other receivables was other receivable of approximately RMB18,387,000, equivalent to 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 sale and purchase agreement.

Included in other payables was the corresponding compensation amount in respect of the termination of the hotel operation of the Gloryear Group.

15. EVENT AFTER THE REPORTING PERIOD

On 1 November 2017, Man Sang Enterprise Ltd. (the "Vendor"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with 諸暨市通和珠寶有限公司 (the "Purchaser"), an independent third party not connected to the Group, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell, the entire equity interests in the Smartest Man Group, together with the amount due to the Group, at an aggregate consideration of RMB362,480,000, equivalent to approximately HK$427,726,000. The transaction was not yet completed as at the date of this announcement.

Details are set out in the Company's announcements dated 1 November 2017 and 22 November 2017.

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 2017 (the "Period" or "HY17"). During the Period, the unaudited consolidated loss attributable to equity holders of the Company was HK$81.3 million (six months ended 30 September 2016 ("HY16"): HK$30.3 million). Basic loss per share was 4.3 HK cents (HY16: 1.9 HK cents).

BUSINESS REVIEW

The Group focuses on the development, sales and leasing of properties in Mainland China.

CP&J City

On 1 November 2017, Man Sang Enterprise Ltd. (the "Vendor"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with 諸暨市通和珠寶有限公司 (the "Purchaser"), an independent third party not connected to the Group, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell, the entire equity interests in Smartest Man Holdings Limited (the holding company of CP&J City), together with the amount due to the Group, at an aggregate consideration of RMB362,480,000 (equivalent to approximately HK$427,726,000) (the "Disposal").

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

Since 2006, the Group has invested approximately HK$234.8 million in total as the cost of acquiring the 65.85% shareholdings in CP&J City. According to a memorandum (the "Memorandum") signed by the Group and the local government of Zhuji, the PRC, on 24 January 2006, upon 75% to 80% of the phase 1 of the CPJ City ("Phase 1") has been developed, the parties involved in the Memorandum would need to commence the development of the phase 2 of the CPJ City ("Phase 2"). Phase 1 has been substantially completed and the Company has been evaluating the total investment costs required for the development of Phase 2.

According to the most recent estimation made by management of CP&J City, the Group will need to commit approximately RMB140 million for the construction of the remaining part of Phase 1, and a further RMB1,500 million will be required for the construction of Phase 2 over the next 3 years. Management of CP&J City anticipated that part of the estimated construction costs can be funded by internal resources and bank borrowings which is expected to be no more than 50% of the total construction cost based on discussion with various PRC banks, meaning the Company will need to raise additional fundings of at least RMB820 million from other sources in order to satisfy the funding requirement of the constructions.

Based on the facts that (i) the Disposal represents a good opportunity for the Company to realise the gain in its investment in the CP&J City in cash; (ii) the total construction costs of approximately RMB1,640 million in respect of Phase 1 and Phase 2 of the CP&J City will create significant financial burden to the Group which may deteriorate the results of the Group; and (iii) the outlook of the property market in Zhuji is not promising which could be evidenced by the fair value losses incurred for the investment properties and investment properties under construction in CP&J City in HY17 and the year ended 31 March 2017, it is considered that the Disposal is in the interests of the Company and the shareholders of the Company as a whole.

As at the date of this announcement, the Disposal has yet to be completed. For more details, please refer the Company's announcement dated 1 November 2017 in relation to the Disposal.

Chongqing Kingstone

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 in the progress of redevelopment (renovation without demolishing/altering the building structure). Upon completion of the redevelopment, Chongqing Kingstone will comprise residential apartments (for sale), service apartments (for lease) and retail units in a shopping mall (for lease).

As at the date of this announcement, the redevelopment of the Chongqing Kingstone was partially completed where the residential apartments have been made available for sale since March 2017. Given the property price in Chongqing has increased since July 2016 when the Group acquired Chongqing Kingstone and it is anticipated the property price in Chongqing will continue to rise in the foreseeable future based on the current market trend, it is currently the Group's business strategy to slowly and gradually offer the residential apartments for sale to the public in order to enjoy the anticipated growth in property price in Chongqing.

The remaining redevelopment is expected to be completed in 2 stages, where the service apartments (which will be managed by an international renowned hotel management group) will be made available for lease starting in the fourth quarter in 2018, while the shopping mall, which represents the final phase of the redevelopment, will be ready for lease in the first quarter of 2019. It is estimated that revenue from the leasing of the service apartments and the shopping mall will be recorded during the year ending 31 March 2019 and Chongqing Kingstone will be able to generate stable rental income to the Group in the long-run.

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 exercise, 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 million (the "Bonds"). The net proceeds from the Bonds of approximately HK$395 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 million plus interest on 18 August 2017 (the "Early Redemption"). The Early Redemption was fully funded by the return of a HK$400 million refundable deposit 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

The Company has 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$46.5 million (HY16: HK$34.2 million) during the Period, which comprised sales of properties of HK$31.5 million (HY16: HK$17.8 million) and rental income of HK$15.0 million (HY16: HK$16.4 million).

The revenue from sales of properties mainly represented (1) sales of residential apartments in Chongqing Kingstone of HK$22.8 million in HY17 (HY16: Nil); and (2) sales of residential apartments in CP&J City which were completed in previous years and has decreased by HK$9.1 million to HK$8.7 million (HY16: HK$17.8 million) during HY17 as a result of no new property was completed in CP&J City in HY17.

Gross profit of the Group therefore increased by HK$2.5 million or 11.1% to HK$24.9 million (HY16: HK$22.4 million) in HY17.

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

S&A expenses mainly comprised selling expenses of HK$5.4 million (HY16: HK$6.9 million) and administrative expenses of HK$29.9 million (HY16: HK$14.3 million). S&A expenses increased by HK$14.1 million or 66.5% to HK$35.3 million (HY16: HK$21.2 million) during the Period which was primarily due to the S&A expenses incurred directly for the redevelopment of Chongqing Kingstone as a result of the completion of the acquisition of Chongqing Kingstone in July 2016.

Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company of HK$81.3 million (HY16: HK$30.3 million) was primarily due to (1) the finance costs of HK$31.2 million as a result of the promissory notes issued by the Company as part of the consideration for the acquisition of Chongqing Kingstone (the "Acquisition"), which was completed on 28 July 2016, at the interest rate of 8% per annum; (2) the finance costs of HK$23.4 million due to the trustee loan and unsecured loans of the newly acquired property from the Acquisition; (3) the finance costs of HK$20.6 million in relation to the Bonds 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$31.7 million in HY17 in contrast to a gain in fair values of investment properties and investment properties under construction of HK$1.3 million in HY16.

LIQUIDITY, GEARING RATIO AND FINANCIAL RESOURCES

As at 30 September 2017, the Group's total equity, including non-controlling interests, was HK$1,133.4 million (31 March 2017: HK$1,128.8 million), representing an increase of 0.4%.

As at 30 September 2017, the Group had cash and bank balances of HK$265.0 million (31 March 2017: HK$242.0 million). Cash and bank balances were mainly denominated in Hong Kong dollars and Chinese Renminbi. The current ratio, represented by current assets divided by current liabilities, was 0.6 (31 March 2017: 2.1).

As at 30 September 2017, the Group's total borrowings, including promissory notes, which were denominated in Hong Kong dollars and Chinese Renminbi were HK$1,906.1 million (31 March 2017: HK$2,197.8 million) 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 1.7 (31 March 2017: 1.9).

During the six months ended 30 September 2017, the Group reported net loss of approximately HK$84,088,000. As at 30 September 2017, the Group had net current liabilities of approximately HK$787,121,000 and total borrowings, including promissory notes, of approximately HK$1,906,105,000 of which approximately HK$1,061,553,000 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$242,427,000.

In view of the above, the directors of the Company have reviewed the Group's cash flow projection covering a period of twelve months from 30 September 2017 which have taken into account the following measures.

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

(2) 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, a subsidiary of a company listed on the The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Such listed company and the Company had common shareholders and executive directors. As at 30 September 2017, the Group has unutilised facility from the financing company of HK$180,000,000, which remain valid up to the date of this condensed consolidated interim financial information;

(3) Secured trustee loan with carrying amount of RMB800,000,000, equivalent to HK$944,000,000, as at 30 September 2017 is repayable within one year after the end of the reporting period pursuant to the loan agreement. In the opinion of the directors of the Company, the Group will be able to renew the secured trustee loan or obtain new loans from other banks in full upon its maturity for the operation requirements of the Group based on the fair values of the secured properties of RMB23,550,000,000 equivalent to HK$27,789,000,000, as at 30 September 2017 which have been pledged as security for the secured trustee loan;

(4) Mr. Tsoi Tung, 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$247,599,000 as at 30 September 2017 on or before 31 December 2018 if the Company is not in a financial position to do so;

(5) 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

(6) 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.

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 2017.

PLEDGE OF ASSETS

At 30 September 2017, the Group had pledged investment properties under construction, property, plant and equipment, prepaid lease payments and properties under development of approximately HK$1,588,695,000, HK$507,225,000, HK$268,498,000 and HK$458,794,000, respectively, to a financial institution to secure the trustee loan granted to Chongqing Kingstone (31 March 2017: HK$1,441,259,000, HK$443,020,000, HK$262,042,000 and HK$427,035,000, respectively).

At 31 March 2017, certain investment properties amounting to approximately RMB13,057,000, equivalent to approximately HK$14,755,000, were pledged to secure a loan granted by a PRC bank to an independent third party. The charge on these investment properties has been released on 21 April 2017.

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 2017, the Group had a total workforce of approximately 100. The total staff cost, including directors' emoluments and mandatory provident fund, was approximately HK$17.4 million (HY16: HK$9.4 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 2017, the Group had maximum exposure of HK$45.7 million (31 March 2017: HK$50.3 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.

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.

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 2017 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 2017.

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 2017.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company, which comprises three Independent Non-Executive Directors, namely Mr. Lai Hok Lim, 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 2017 and has recommended their adoption to the Board.

BOARD OF DIRECTORS

As at 30 September 2017 and the date of this announcement, the Board comprises five Executive Directors, namely Mr. Lei Hong Wai (Chairman), Ms. Cheng Ka Ki, Mr. Cheung Kwok Wai, Elton, Mr. Leung Alex and Mr. Yuan Huixia, and three Independent Non-Executive Directors, namely Mr. Lai Hok Lim, Mr. Lei Seng Fat and Mr. Wong Tak Chuen.

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

Hong Kong, 28 November 2017