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MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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 2018, together with the unaudited comparative figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited and restated)
Continuing operation			
Revenue	*4*	**26,922**	22,795
Cost of sales		**(21,287)**	(15,904)
Gross profit		**5,635**	6,891
Other gains, net		**21**	–
Selling expenses		**(1,880)**	(2,462)
Administrative expenses		**(23,547)**	(25,170)
Increase in fair value of investment properties under construction		**2,527**	–
Finance income	*6*	**34**	29,308
Finance costs	*6*	**(49,940)**	(75,650)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS — *Continued*
For the six months ended 30 September 2018

	Notes	**Six months ended 30 September 2018 *HK$'000* (Unaudited)**	2017 *HK$'000* (Unaudited and restated)
Loss before tax	*7*	**(67,150)**	(67,083)
Income tax expenses	*8*	**(6,642)**	(8,938)
Loss for the period from continuing operation		**(73,792)**	(76,021)
Discontinued operation			
Loss for the period from discontinued operation	*9*	**–**	(8,067)
Loss for the period		**(73,792)**	(84,088)
Loss attributable to equity holders of the Company			
— from continuing operation		**(73,792)**	(76,021)
— from discontinued operation		**–**	(5,313)
		(73,792)	(81,334)
Loss attributable to non-controlling interests			
— from continuing operation		**–**	–
— from discontinued operation		**–**	(2,754)
		–	(2,754)
Loss for the period		**(73,792)**	(84,088)
LOSS PER SHARE	*11*		
From continuing and discontinued operations			
— basic and diluted (HK cents)		**(3.87)**	(4.27)
From continuing operation			
— basic and diluted (HK cents)		**(3.87)**	(3.99)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(73,792)**	(84,088)
Other comprehensive (loss) income:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(164,304)**	88,691
Total comprehensive (loss) income for the period	**(238,096)**	4,603
Attributable to		
— Equity holders of the Company	**(238,096)**	(1,922)
— Non-controlling interests	**–**	6,525
	(238,096)	4,603

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2018

	Notes	**30 September 2018 *HK$'000* (Unaudited)**	31 March 2018 *HK$'000* (Audited)
Non-current assets			
Investment properties under construction		**1,686,216**	1,791,701
Property, plant and equipment		**570,205**	581,236
Prepayment	*12*	**–**	523
Prepaid lease payments		**259,006**	290,143
		2,515,427	2,663,603
Current assets			
Properties under development		**520,248**	563,560
Deposits, prepayments and other receivables	*12*	**31,164**	29,626
Cash and cash equivalents		**82,774**	55,431
		634,186	648,617
Current liabilities			
Accruals and other payables	*13*	**170,777**	212,835
Current income tax liabilities		**80,248**	81,624
Promissory notes	*14*	**886,792**	–
Other borrowings	*15*	**133,381**	121,906
		1,271,198	416,365
Net current (liabilities) assets		**(637,012)**	232,252
Total assets less current liabilities		**1,878,415**	2,895,855

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — *Continued*
At 30 September 2018

	Notes	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Non-current liabilities			
Deferred income tax liabilities		**15,194**	15,967
Promissory notes	*14*	**–**	855,587
Other borrowing	*15*	**912,000**	1,000,000
Unsecured borrowings from a substantial shareholder	*16*	**165,016**	–
		1,092,210	1,871,554
Net assets		**786,205**	1,024,301
Capital and reserves			
Share capital	*17*	**190,617**	190,617
Reserves		**595,588**	833,684
Total equity		**786,205**	1,024,301

NOTES

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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

During the six months ended 30 September 2018, the Group reported net loss for the period of approximately HK$73,792,000. As at 30 September 2018, the Group had net current liabilities of approximately HK$637,012,000 and total borrowings, including promissory notes, of approximately HK$2,097,189,000 of which approximately HK$1,020,173,000 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$171,360,000 (note 18(a)).

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 2018 which have taken into account the following measures.

(1) Chongqing Kingstone Land Co., Ltd.* (重慶皇石置地有限公司) ("Chongqing Kingstone"), an indirect wholly-owned subsidiary of the Company, has commenced the sales of the properties from the year ended 31 March 2017. In addition, the lease of properties is expected to be commenced in the period of twelve months from 30 September 2018. Both sales and lease of properties are expected to generate operating cash inflows to the Group;

(2) The Group had available unsecured revolving loan facility of HK$200,000,000 carrying a fixed interest rate of 8% per annum from a financing company, which is a subsidiary of a company listed on The Stock Exchange of Hong Kong Limited, and will be valid up to 12 January 2019;

(3) On 1 June 2018, the Group obtained 2-year unsecured revolving loan facility from Mr. Hu Xingrong ("Mr. Hu"), the chairman and the executive director of the Company and the beneficial owner of China DaDi Group Limited, the controlling shareholder the Company, with amount up to RMB500,000,000, equivalent to HK$570,000,000, with a fixed interest rate of 9% per annum. As at 30 September 2018, RMB143,700,000, equivalent to HK$163,818,000, was drawdown from the abovementioned facility by the Group;

(4) Total Idea International Limited ("Total Idea"), the holder of the Company's promissory notes with aggregate principal amount of HK$778,000,000 and is beneficially owned by Mr. Hu, has unconditionally and irrecoverably undertaken to the Company that Total Idea will negotiate with the Company, as and when the Company requests, in respect of the extension of the maturity date of the Company's promissory notes to an agreed date. In addition, 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

(5) 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 2018. 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. The 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.

* *The English name is for identification purpose only*

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical basis except for investment properties under construction which are measured at fair value.

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (the "new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2018:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of HKFRS 9 and 15 resulted in changes in the Group's accounting policies in the condensed consolidated interim financial information. The new accounting policies are set out in note 3 below.

The application of other new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in the condensed consolidated interim financial information.

HKFRS 9 *Financial Instruments*

At the date of initial application of HKFRS 9, the directors of the Company have reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of HKFRS 9, as explained below:

Classification and measurements

Deposits and other receivables

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

Impairment of financial assets

Under the new impairment requirements under HKFRS 9, the Group measured a 12-month expected credit loss (the "ECL") in respect of the deposits and other receivables and cash and cash equivalents for which credit risk has not increased significantly since initial recognition.

HKFRS 15 ***Revenue from contracts with customers***

HKFRS 15 superseded HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

The Group is principally engaged in sales of properties in the People's Republic of China (the "PRC"). The directors of the Company concluded that the revenue from sales of properties in the PRC should be recognised at a point in time when control of the properties is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The current accounting policy on revenue recognition is consistent with the previous accounting policy and therefore, the adoption of HKFRS 15 has no impact on the timing of revenue recognition.

3. CHANGES IN ACCOUNTING POLICIES

HKFRS 9 ***Financial Instruments***

Classification and measurement

All recognised financial assets that are within the scope of HKFRS 9 are to be subsequently measured at amortised cost or fair value, depending on the entity's business model for managing the financial assets and cash flow characteristics of the asset.

The Group classifies its debt instruments as financial assets at amortised cost as follows:

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on principal outstanding are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains", together with foreign exchange gains and losses.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (representing deposits and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For the Group's financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of each reporting period with that assessed at the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group presumes that the credit risk on a financial asset has increased significantly when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the above requirements, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the end of each reporting period. A financial asset is determined to have a low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default and is estimated as the difference between all contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

HKFRS 15 *Revenue from contracts with customers*

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue of the Group is recognised at a point in time when the customer obtains control of the distinct goods.

4. REVENUE

Revenue from continuing operation represents the proceeds from the sales of properties during the period.

5. SEGMENT INFORMATION

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

On 3 January 2018, the Group's operation in Eastern China in respect of development, sales and lease of properties was discontinued as a result of the completion of the disposal of entire equity interests in Smartest Man Holdings Limited ("Smartest Man") and its subsidiaries (collectively referred to as the "Smartest Man Group"). The segment information for this discontinued operation are described in details in note 9.

After the completion of the disposal of the Smartest Man Group, the Group's operating activities are solely derived from the development, sales and lease of properties in Western China. For the purpose of resource allocation and performance assessment, the CODM reviews the overall results of consolidated financial performance of the Group as a whole prepared based on the same accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

6. FINANCE INCOME AND FINANCE COSTS

Continuing operation

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Finance income:		
— Bank interest income	**34**	53
— Interest income from the refundable deposit	**–**	29,255
	34	29,308
Finance costs:		
— Interest on bank and other borrowings	**54,197**	62,116
— Interest on unsecured borrowings from a substantial shareholder	**1,240**	–
— Interest on promissory notes *(note 14)*	**31,205**	31,205
	86,642	93,321
Less: amount capitalised on qualifying assets	**(36,702)**	(17,671)
	49,940	75,650

7. LOSS BEFORE TAX

Continuing operation

Loss before tax has been arrived at after charging:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Cost of completed properties held for sale	**21,287**	15,904
Depreciation of property, plant and equipment	**386**	106

8. INCOME TAX EXPENSES

Continuing operation

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Current income tax:		
— PRC land appreciation tax	**6,010**	8,938
Deferred income tax	**632**	–
	6,642	8,938

Hong Kong Profits Tax

No Hong Kong Profits Tax has been provided since no assessable profits have been generated during the six months ended 30 September 2018 (2017: nil).

The PRC Enterprise Income Tax

The PRC Enterprise Income Tax in respect of operations in Mainland China is calculated at a rate of 25% (2017: 25%) on the estimated assessable profits for the six months ended 30 September 2018 under the Law of the PRC's on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

No PRC Enterprise Income Tax has been provided since no assessable profits have been generated from continuing operation during the six months ended 30 September 2018 (2017: nil).

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 properties value under the applicable regulations, and 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.

9. DISCONTINUED OPERATION

On 1 November 2017, a direct wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to the Group to dispose of its entire equity interest in Smartest Man at a cash consideration of RMB362,480,000, equivalent to approximately HK$428,659,000 (the "Disposal"). The Smartest Man Group carried out all of the Group's operation in Eastern China in respect of the development, sales and lease of properties. The Disposal was effected in order to generate cash flows for the expansion of the Group's operation in Western China. The Disposal was completed on 3 January 2018, the date which the Group lost control in the Smartest Man Group.

Further details of the Disposal are set out in the Company's announcements dated 1 November 2017 and 3 January 2018 and the Company's circular dated 5 December 2017.

The results of the Smartest Man Group for the six months ended 30 September 2017, which have been included in the condensed consolidated statement of profit or loss, were as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	–	23,753
Cost of sales	–	(5,719)
Gross profit	–	18,034
Other income	–	3,351
Other gains	–	145
Selling expenses	–	(2,980)
Administrative expenses	–	(4,772)
Decrease in fair values of investment properties and investment properties under construction	–	(31,668)
Finance income	–	1,248
Loss before tax	–	(16,642)
Income tax credit	–	8,575
Loss for the period from discontinued operation	–	(8,067)
Loss for the period attributable to		
— equity holders of the Company	–	(5,313)
— non-controlling interests	–	(2,754)
	–	(8,067)

10. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to equity holders of the Company is based on the following data:

From continuing and discontinued operations

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to equity holders of the Company for the purpose of basic and diluted loss per share	**(73,792)**	(81,334)
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	**1,906,172**	1,906,172

Since there are no potential dilutive shares in issue during the six months ended 30 September 2018 and 2017, basic and dilutive loss per share are the same for both reporting periods.

From continuing operation

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to equity holders of the Company from continuing operation for the purpose of basic and diluted loss per share	**(73,792)**	(76,021)

The denominators used are the same as those calculated above for both basic and diluted loss per share for the six months ended 30 September 2018 and 2017.

From discontinued operation

Basic and diluted loss per share from the discontinued operation for the six months ended 30 September 2017 was 0.28 HK cent per share, based on the loss attributable to equity holders of the Company from the discontinued operation for the six months ended 30 September 2017 of approximately HK$5,313,000 and the denominator detailed above for both basic and diluted loss per share. No basic and diluted loss per share from the discontinued operation for the six months ended 30 September 2018 was presented since the Disposal was completed on 3 January 2018.

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deposits and other receivables *(note)*	**30,752**	29,009
Prepayments	**412**	1,140
	31,164	30,149
Analyse for reporting purpose as		
— Non-current portion	**–**	523
— Current portion	**31,164**	29,626
	31,164	30,149

Note: Included in the balance as at 30 September 2018 is other receivable of approximately RMB18,387,000 (31 March 2018: RMB18,387,000), equivalent to approximately HK$20,961,000 (31 March 2018: HK$22,984,000), in respect of an indemnification receivable from the vendor of Gloryear Investments Limited and its subsidiaries (the "Gloryear Group") for the loss arising from the termination of the hotel operation of the Gloryear Group.

13. ACCRUALS AND OTHER PAYABLES

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Construction costs accruals and payables	**109,459**	146,833
Other accruals and payables *(note)*	**61,318**	66,002
	170,777	212,835

Note: Included in the balance as at 30 September 2018 is other payable of approximately RMB18,387,000 (31 March 2018: RMB18,387,000), equivalent to approximately HK$20,961,000 (31 March 2018: HK$22,984,000), in respect of the compensation payable arising from the termination of the hotel operation of the Gloryear Group.

14. PROMISSORY NOTES

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**855,587**	793,347
Interest charge *(note 6)*	**31,205**	62,240
At the end of the period/year	**886,792**	855,587

The promissory notes, which are measured at amortised cost, are unsecured, carry a fixed interest rate of 8% per annum and will mature on 28 July 2019. All interests are accrued and will be paid on the maturity date. On 15 December 2017, the promissory notes have been transferred to Total Idea.

As at 30 September 2018, the promissory notes were classified under current liabilities due to the maturity date falls within twelve months from the end of the reporting period.

15. OTHER BORROWINGS

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current:		
Unsecured revolving loan — principal and interest portions (note (i))	**49,736**	–
Unsecured loans — principal and interest portions (note (ii))	**36,421**	120,262
Unsecured loan — interest portion (note (iii))	**47,224**	1,644
	133,381	121,906
Non-current:		
Unsecured loan — principal portion (note (iii))	**912,000**	1,000,000
Total other borrowings	**1,045,381**	1,121,906

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

	30 September 2018 *HK$'000* **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
On demand	**41,326**	7,019
Within 1 year	**92,055**	114,887
After 1 year but within 2 years	**912,000**	1,000,000
	1,045,381	1,121,906
Carrying amount of other borrowings repayable within one year	**83,460**	114,887
Interest portion of other borrowings	**49,921**	7,019
Amounts shown under current liabilities	**133,381**	121,906
Amounts shown under non-current liabilities	**912,000**	1,000,000
	1,045,381	1,121,906

Notes:

(i) On 12 January 2017, the Group entered into a two-year revolving loan facility of HK$200,000,000 with the financing company to finance the Group's funding needs. The facility is unsecured, carries a fixed interest rate of 8% per annum, with the interest payable quarterly, and will mature on 12 January 2019. As at 30 September 2018, the Group has drawn down the facility of approximately HK$49,260,000 (31 March 2018: nil).

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

(ii) The unsecured loans as at 31 March 2018 represented (a) the unsecured loans with aggregate principal amount of RMB46,560,000, equivalent to HK$58,200,000, from independent third parties to the Group; and (b) the unsecured loans with aggregate principal amount of RMB45,350,000, equivalent to approximately HK$56,688,000, from a company beneficially owned by Mr. Hu. Both unsecured loans carry a fixed interest rate of 10% per annum, with the interest payable quarterly and will mature 1 year after the drawdown date.

During the six months ended 30 September 2018, the unsecured loans with aggregate principal amount of RMB61,910,000, equivalent to approximately HK$70,577,000 have been settled.

The effective interest rate of the unsecured loans is 10% per annum.

(iii) The unsecured loan as at 30 September 2018 represented the 2-year unsecured loan with principal amount of RMB800,000,000 (31 March 2018: RMB800,000,000), equivalent to HK$912,000,000 (31 March 2018: HK$100,000,000), from an independent third party to the Group. The unsecured loan carries a fixed interest rate of 10% per annum, with the interest payable quarterly, and will mature on 25 March 2020.

The effective interest rate of the abovementioned unsecured loan is 10% per annum.

16. UNSECURED BORROWINGS FROM A SUBSTANTIAL SHAREHOLDER

On 1 June 2018, the Group obtained a two-year unsecured revolving loan facility from Mr. Hu with amount up to RMB500,000,000, equivalent to HK$570,000,000, with a fixed interest rate of 9% per annum and will mature on 31 May 2020.

During the six months ended 30 September 2018, unsecured borrowings with aggregate principal amount of RMB143,700,000 (31 March 2018: nil), equivalent to HK$163,818,000 (31 March 2018: nil), has been drawn down from the abovementioned facility by the Group. The unsecured borrowings, with the interests accrued, will mature and payable on 31 May 2020 and classified under non-current liabilities as at 30 September 2018.

The effective interest rate of the unsecured borrowings from Mr. Hu is 9% per annum.

17. SHARE CAPITAL

	Number of shares		**Share capital**	
	30 September 2018	31 March 2018	**30 September 2018**	31 March 2018
	'000	*'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Shares of HK$0.10 each				
Authorised:				
At the beginning and end of the period/year	**5,000,000**	5,000,000	**500,000**	500,000
Issued and fully paid:				
At the beginning and end of the period/year	**1,906,172**	1,906,172	**190,617**	190,617

18. COMMITMENTS

(a) Capital commitments

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated interim financial information:		
— Construction of properties	**171,360**	231,910

(b) Operating lease commitments

The Groups as lessee

At the end of the reporting period, the Group had commitments for future minimum lease of the rented office premises, which falls due as follows:

	30 September 2018 *HK$'000* **(Unaudited)**	31 March 2018 *HK$'000* (Audited)
Within 1 year	**837**	1,081
From 2 to 5 years inclusive	**603**	–
	1,440	1,081

Leases are negotiated for an average term of two years (31 March 2018: two years) and rentals are fixed during the relevant lease period.

19. COMPARATIVE FIGURES

As a result of the completion of the Disposal as disclosed in note 9, certain comparative figures are restated to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The Board is pleased to report the results of the Group for the six months ended 30 September 2018 ("HY18"). During HY18, the unaudited consolidated loss attributable to equity holders of the Company was HK$73.8 million (six months ended 30 September 2017 ("HY17"): HK$81.3 million). Basic loss per share was 3.87 HK cents (HY17: 4.27 HK cents).

BUSINESS REVIEW

The Group remained focusing on the development, sales and lease of properties in Mainland China.

In accordance with the "Chongqing's sales price growth index of newly completed commercial/residential buildings" released by the National Bureau of Statistics, the growth rate of the property price in Chongqing was slowing down in HY18. In addition, the Chinese government has launched certain tightening regulatory policies to real estate market in Mainland China.

Despite the above challenging environment, the directors of the Company (the "Directors") remain optimistic in the real estate market in Mainland China since those regulatory policies promoted a long-term stabilisation in the real estate market, leading a long-run and sustainable business growth to the Group. And the fact that the property price in Chongqing continued to record a growth in HY18 also provides a promising and foreseeable return on property development in Chongqing.

Chongqing Property

Chongqing Kingstone holds a property (the "Chongqing Property") located 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 the Chongqing Property, the Company considers that the Chongqing Property will benefit from the heavy pedestrian flow nearby and thus aim to develop the Chongqing Property to become a new landmark in Yuzhong District.

The Chongqing Property is in the progress of redevelopment (renovation without demolishing/altering the building structure). As the date of this announcement, the Chongqing Property comprises 113 units of residential apartments (for sale), 149 units of service apartments (for lease), 165 units of carparks (for lease) and retail shops with gross floor area of approximately 35,170 square metres (for lease).

Currently, the redevelopment of the Chongqing Property 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 of 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 consist of the service apartments (which will be managed by an international renowned hotel management group) and the shopping mall, which is expected to be completed and ready for lease in the first quarter of 2019. The Group has commenced its marketing activities in HY18 for identifying the potential tenants. 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 the Chongqing Property will be able to generate stable rental income to the Group in the long run.

Looking forward

Given the Group's current high gearing position and the deleveraging policy implemented by the Chinese government, the Company remained focus on (i) monitoring the financial performance of the existing business in the Chongqing Property; and (ii) maximising the return from the Chongqing Property so as to generate stable income and cash inflows and lower the gearing ratio and the finance costs.

The Company may also carry out fund raising activities, including but not limited to equity financing and/or debt financing, as and when appropriate, to lower the finance costs and maximising the return to the shareholders of the Company.

In order to create shareholders' value, the Board, leading by Mr. Hu with solid experience and business network in Mainland China property market, will also consider any investments and/or acquiring business, projects or land reserves that have promising outlooks and prospects.

FINANCIAL REVIEW

Revenue and gross profit

Revenue of the Group from continuing operation was HK$26.9 million (HY17: HK$22.8 million) during HY18, which represent sales of residential apartments in the Chongqing Property.

Gross profit of the Group from continuing operation decreased by HK$1.3 million or 18.8% to HK$5.6 million (HY17: HK$6.9 million) in HY18. In HY18, standard residential properties with lower level have been sold, while standard residential properties with higher level have been sold in HY17 with price premium and higher gross profit margin.

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

S&A expenses from continuing operation mainly comprised selling expenses of HK$1.9 million (HY17: HK$2.5 million) and administrative expenses of HK$23.5 million (HY17: HK$25.2 million). S&A expenses decreased by HK$2.3 million or 8.3% to HK$25.4 million (HY17: HK$27.7 million) during HY18 which was primarily due to decrease of legal and professional fee in HY18 by HK$2.6 million.

Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company from continuing operation improved from HK$76.0 million in HY17 to HK$73.8 million in HY18, representing an approximately 2.9% decrease over the previous period, which was mainly attributable to the effect of the increase in fair value of investment properties under construction of HK$2.5 million (HY17: nil), while other operating income and expense remained comparable to HY17 as a whole.

LIQUIDITY, GEARING RATIO AND FINANCIAL RESOURCES

As at 30 September 2018, the Group's total equity was HK$786.2 million (31 March 2018: HK$1,024.3 million), representing a decrease of 23.2%. The decrease was mainly attributable from the loss of translation of foreign operations of HK$164.3 million as a result of the depreciation of Chinese Renminbi ("RMB") against Hong Kong dollars ("HK$") and the loss attributable to the equity holders of the Company of HK$73.8 million during HY18.

As at 30 September 2018, the Group had cash and cash equivalents of HK$82.8 million (31 March 2018: HK$55.4 million). Cash and cash equivalents were mainly denominated in HK$ and RMB. The current ratio, represented by current assets divided by current liabilities, was 0.5 (31 March 2018: 1.6).

As at 30 September 2018, the Group's total borrowings, including promissory notes, which were denominated in HK$ and RMB, were HK$2,097.2 million (31 March 2018: HK$1,977.5 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 2.7 (31 March 2018: 1.9).

During HY18, the Group reported net loss for the period of HK$73.8 million. As at 30 September 2018, the Group had net current liabilities of HK$637.0 million and total borrowings, including promissory notes, of HK$2,097.2 million of which HK$1,020.2 million 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 HK$171.4 million.

In view of the above, the Directors have reviewed the Group's cash flow projection covering a period of twelve months from 30 September 2018 which have taken into account the following measures.

(1) Chongqing Kingstone has commenced the sales of the properties since March 2017. In addition, the lease of properties is expected to be commenced in the period of twelve months from 30 September 2018. Both sales and lease of properties are expected to generate operating cash inflows to the Group;

(2) The Group had available unsecured revolving loan facility of HK$200 million carrying a fixed interest rate of 8% per annum from a financing company, which is a subsidiary of a company listed on The Stock Exchange of Hong Kong Limited, and will be valid up to 12 January 2019;

(3) On 1 June 2018, the Group obtained a 2-year unsecured revolving loan facility from Mr. Hu, the chairman and the executive Director of the Company and the beneficial owner of China DaDi Group Limited, the controlling shareholder the Company, with amount up to RMB500 million, equivalent to HK$570 million, with a fixed interest rate of 9% per annum. As at 30 September 2018, RMB143.7 million, equivalent to HK$163.8 million, was drawdown from the abovementioned facility by the Group;

(4) Total Idea, the holder of the Company's promissory notes with aggregate principal amount of HK$778,000,000 and is beneficially owned by Mr. Hu, has unconditionally and irrecoverably undertaken to the Company that Total Idea will negotiate with the Company, as and when the Company requests, in respect of the extension of the maturity date of the Company's promissory notes to an agreed date. In addition, 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

(5) 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 30 September 2018.

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 RMB. The Group is exposed to foreign exchange fluctuations from RMB which is the main foreign currency transacted by the Group during HY18.

The Group has not entered into any foreign exchange contract as hedging measures. The Group manages its foreign currency risk against RMB 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 2018, the Group had a total workforce of approximately 62 (31 March 2018: 61). The total staff cost, including Directors' emoluments and mandatory provident fund, was HK$12.0 million (HY17: HK$10.6 million) during HY18. 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.

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.

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the six months ended 30 September 2018 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 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 2018.

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 2018.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company, which comprises three independent non-executive Directors, namely Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po, has reviewed the unaudited interim results and interim report of the Group for the six months ended 30 September 2018 and has recommended their adoption to the Board.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Hu Xingrong (Chairman), Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu, and three independent non-executive Directors, namely Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po.

On behalf of the Board
Man Sang International Limited
HU XINGRONG
Chairman

Hong Kong, 23 November 2018