MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The board (the "Board") of directors (the "Director(s)") of Man Sang International Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Continuing operation			
Revenue	3	**156,721**	23,188
Cost of sales		**(96,488)**	(15,990)
Gross profit		**60,233**	7,198
Other income and gains, net	5	**435**	1,981
Increase in fair value of financial asset at fair value through profit or loss		**7,520**	—
Selling expenses		**(7,627)**	(5,606)
Administrative expenses		**(42,487)**	(50,417)
(Decrease) increase in fair value of investment properties under construction		**(30,438)**	54,133
Finance income	6	**37**	29,378
Finance costs	6	**(83,005)**	(123,713)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — *Continued*
For the year ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Loss before tax	7	**(95,332)**	(87,046)
Income tax expenses	8	**(33,991)**	(22,626)
Loss for the year from continuing operation		**(129,323)**	(109,672)
Discontinued operation			
Profit for the year from discontinued operation		**—**	16,478
Loss for the year		**(129,323)**	(93,194)
(Loss) profit attributable to equity holders of the Company			
— from continuing operation		**(129,323)**	(109,672)
— from discontinued operation		**—**	17,022
		(129,323)	(92,650)
Loss attributable to non-controlling interests from discontinued operation		**—**	(544)
Loss for the year		**(129,323)**	(93,194)
LOSS PER SHARE	9		
From continuing and discontinued operations — basic and diluted *(HK cents)*		**(6.78)**	(4.86)
From continuing operation — basic and diluted *(HK cents)*		**(6.78)**	(5.75)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2019

	2019	2018
	HK$'000	*HK$'000*
Loss for the year	**(129,323)**	(93,194)
Other comprehensive (loss) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(120,236)**	174,006
Release of translation reserve upon disposal of subsidiaries	**—**	(28,860)
Other comprehensive (loss) income for the year	**(120,236)**	145,146
Total comprehensive (loss) income for the year	**(249,559)**	51,952
Total comprehensive (loss) income for the year attributable to:		
— equity holders of the Company	**(249,559)**	36,920
— non-controlling interests	**—**	15,032
	(249,559)	51,952

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties under construction		**1,767,135**	1,791,701
Property, plant and equipment		**661,090**	581,236
Prepayment	11	**—**	523
Prepaid lease payments		**264,479**	290,143
Financial asset at fair value through profit or loss		**9,925**	—
		2,702,629	2,663,603
Current assets			
Properties under development		**501,289**	563,560
Deposits, prepayments and other receivables	11	**47,428**	29,626
Cash and cash equivalents		**163,248**	55,431
		711,965	648,617
Current liabilities			
Accruals and other payables	12	**178,478**	212,835
Amount due to a related company		**1,305**	—
Current income tax liabilities		**118,359**	81,624
Other borrowings	13	**73,030**	121,906
		371,172	416,365
Net current assets		**340,793**	232,252
Total assets less current liabilities		**3,043,422**	2,895,855

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — *Continued*
As at 31 March 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Non-current liabilities			
Deferred income tax liabilities		**7,336**	15,967
Promissory notes	14	**917,827**	855,587
Other borrowings	13	**936,000**	1,000,000
Unsecured borrowings from a Director	15	**407,517**	—
		2,268,680	1,871,554
Net assets		**774,742**	1,024,301
Capital and reserves			
Share capital		**190,617**	190,617
Reserves		**584,125**	833,684
Total equity		**774,742**	1,024,301

NOTES

For the year ended 31 March 2019

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS(s)"), which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

During the year ended 31 March 2019, the Group reported net loss of approximately HK$129,323,000. As at 31 March 2019, the Group had other borrowings of approximately HK$73,030,000 due within one year. As at the same date, the Group also had capital commitment of approximately HK$125,937,000 (note 16), while its net current assets and cash and cash equivalents amounted to approximately HK$340,793,000 and HK$163,248,000, respectively.

In view of the above, the Directors have reviewed the Group's cash flow projections covering a period of twelve months from 31 March 2019 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 which is expected to continue to generate operating cash inflows to the Group;

(2) During the year ended 31 March 2019, the Group obtained unsecured revolving loan facilities from Mr. Hu Xingrong ("Mr. Hu"), the Director, with financial support from a company controlled by Mr. Hu, in the amounts of (i) RMB500,000,000, equivalent to HK$585,000,000, carrying an interest rate of 9% per annum and will mature on 31 May 2020; and (ii) HK$100,000,000, carrying an interest rate of 8% per annum and will mature on 6 July 2021. As at 31 March 2019, RMB294,150,000, equivalent to approximately HK$344,156,000, and HK$50,000,000 were utilised by the Group respectively and remaining total undrawn facilities amounted to approximately HK$290,844,000. Subsequent to the end of the reporting period, RMB167,600,000, equivalent to HK$196,092,000, were drawn down by the Group; and

(3) The Company will not early redeem any promissory notes or repaid any borrowings before the maturity date until the Group is in a financial position to do so.

Based on the above, in the opinion of the Directors, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 31 March 2019. Accordingly, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

* *The English name is for identification purpose only*

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the HKICPA.

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

The impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 replaced the provision of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information.

(i) Classification and measurement of financial instruments

The Directors reviewed and assessed the Group's existing financial assets and financial liabilities as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39. The financial assets of the Group are deposits and other receivables and cash and cash equivalents which are classified as loan and receivables under HKAS 39. They are classified as financial assets at amortised cost as at adoption of HKFRS 9.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 April 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

It is concluded that, as at 1 April 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under HKAS 39.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 superseded HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Ints 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 has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 April 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits and comparative information is not restated.

There was no impact of transition to HKFRS 15 on the retained profits as at 1 April 2018.

3. REVENUE

Revenue from continuing operation represents revenue arising on sales of properties located in the People's Republic of China (the "PRC") during the year.

An analysis of the Group's revenue from continuing operation is as follows:

	2019	2018*
	HK$'000	*HK$'000*
Revenue from contract with customers within the scope of HKFRS 15		
— sales of properties	**156,721**	23,188

* The amount from continuing operation for the year ended 31 March 2018 was recognised under HKAS 18.

4. SEGMENT INFORMATION

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

The operation in Eastern China was discontinued during the year ended 31 March 2018 as a result 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") on 3 January 2018.

After the disposal of the Smartest Man Group on 3 January 2018, the Group's operating activities are solely derived from the development, sales and lease of properties in Western China since the year ended 31 March 2018.

The CODM reviews the overall results of financial position 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.

(a) Information about major customers

Revenue from the transactions from the continuing operation with four customers presented in Western China segment, which were different from customers for the year ended 31 March 2018, amounted to approximately HK$49,947,000, HK$44,097,000, HK$36,212,000 and HK$26,465,000 respectively (2018: four customers presented in Western China segment amounted to approximately HK$6,324,000, HK$5,762,000, HK$5,698,000 and HK$5,404,000, respectively), each contributing over 10% of the total revenue from the continuing operation of the Group for the year ended 31 March 2019.

(b) Geographical information

The Company is domiciled in Hong Kong. As all the Group's revenue from external customers are derived from the PRC, hence no information of the Group's revenue by geographical location is presented.

As at 31 March 2019, over 90% (2018: 90%) total non-current assets (excluding financial asset at fair value through profit or loss) are located in the PRC.

5. OTHER INCOME AND GAINS, NET

Continuing operation

	2019 *HK$'000*	2018 *HK$'000*
Gain on waiver of interest payable	—	1,979
Exchange (loss) gain	**(22)**	2
Others	**457**	—
	435	1,981

6. FINANCE INCOME AND FINANCE COSTS

Continuing operation

	2019 *HK$'000*	2018 *HK$'000*
Finance income:		
— bank interest income	**37**	123
— interest income from refundable deposit *(note (i))*	—	29,255
	37	29,378
Finance costs:		
— interest on bank and other borrowings	**102,391**	106,647
— interest on unsecured borrowings from a director *(note 15)*	**13,255**	—
— interest on promissory notes *(note 14)*	**62,240**	62,240
	177,886	168,887
Less: amount capitalised on qualifying assets *(note (ii))*	**(94,881)**	(45,174)
	83,005	123,713

Notes:

(i) On 2 November 2016, the Group entered into a sale and purchase agreement with Mr. Tsoi Tung ("Mr. Tsoi"), an ex-director of Chongqing Kingstone, to acquire a property located in Shanghai, the PRC, at a consideration of RMB500,000,000, equivalent to HK$565,000,000. During the year ended 31 March 2017, a refundable deposit of HK$400,000,000 was paid to Mr. Tsoi. The deposit is refundable if conditions have not been met by Mr. Tsoi as mutually agreed in the sale and purchase agreement.

On 14 August 2017, the above-mentioned acquisition has been terminated and the refundable deposit of HK$400,000,000, with the interest accrued on refundable deposit of approximately HK$29,255,000, were fully refunded by Mr. Tsoi.

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

(ii) The borrowing costs capitalised during the year arose from the general borrowing pool are calculated by applying a capitalisation rate of 9.1% (2018: 8.2%) per annum to expenditure on qualifying assets.

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

Continuing operation

	2019	2018
	HK$'000	*HK$'000*
Staff costs (including Directors):		
— salaries and other allowances	**23,592**	24,649
— retirement benefits scheme contributions	**2,924**	2,549
	26,516	27,198
Cost of completed properties held for sales recognised as an expense	**95,547**	15,851
Auditor's remuneration	**1,500**	4,000
Depreciation of property, plant and equipment	**747**	280
Loss on write-off on property, plant and equipment	**284**	—
Minimum lease payments paid under operating lease rentals in respect of rented premises	**3,591**	2,664

8. INCOME TAX EXPENSES

Continuing operation

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
— PRC land appreciation tax	**41,600**	9,093
Deferred income tax	**(7,609)**	13,533
	33,991	22,626

Hong Kong Profits Tax

No Hong Kong Profits Tax has been provided since no assessable profits have been generated during both years ended 31 March 2019 and 2018.

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% on the estimated assessable profits for the years ended 31 March 2019 and 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 both years ended 31 March 2019 and 2018.

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 under the applicable regulations, which is calculated based on the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

9. 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

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to equity holders of the Company for the purpose of basic and diluted loss per share	**(129,323)**	(92,650)
	'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

From continuing operation

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to equity holders of the Company from continuing operation for the purpose of basic and diluted loss per share	**(129,323)**	(109,672)

The denominators used are the same as those calculated above for both basic and diluted loss per share.

Since there are no potential dilutive shares in issue during the years ended 31 March 2019 and 2018, basic and dilutive loss per share are the same for both years.

From discontinued operation

Basic and diluted earnings per share from the discontinued operation during the year ended 31 March 2018 was HK$0.89 cent per share, based on the profit for the year attributable to equity holders of the Company from the discontinued operation of approximately HK$17,022,000 and the denominators detailed above for both basic and diluted loss per share.

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Deposits and other receivables *(notes (i) and (ii))*	**30,805**	29,009
Prepayments	**16,623**	1,140
	47,428	30,149
Analyse for reporting purpose as:		
— non-current portion	**—**	523
— current portion	**47,428**	29,626
	47,428	30,149

The Group does not hold any collaterals over its other receivables.

Notes:

(i) Included in the balance as at 31 March 2019 is approximately RMB18,387,000 (2018: RMB18,387,000), equivalent to approximately HK$21,513,000 (2018: HK$22,984,000), representing an indemnification from the vendor of Gloryear Investments Limited and its subsidiaries (collectively referred to as the "Gloryear Group") for the loss arising from the termination of the hotel operation of the Gloryear Group.

(ii) For the deposits and other receivables of approximately HK$30,805,000 as at 31 March 2019 (1 April 2018: HK$29,009,000), the expected credit loss was minimal as these deposits and receivables had no recent history of default, part of receivables were subsequently settled, and there was no unfavorable current conditions and forecast future economic conditions at the end of the reporting period.

12. ACCRUALS AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Construction costs accruals and payables	**110,625**	146,833
Amount due to a company under control of Mr. Tsoi *(note (i))*	**—**	3,188
Other accruals and payables *(note (ii))*	**67,853**	62,814
	178,478	212,835

Notes:

(i) During the year ended 31 March 2019, the control against a company by Mr. Tsoi has been lost and the amount due to that company as at 31 March 2019 of approximately HK$5,212,000 (2018: HK$3,188,000) was included in other accruals and payables.

(ii) Included in the balance as at 31 March 2019 is approximately RMB18,387,000 (2018: RMB18,387,000), equivalent to approximately HK$21,513,000 (2018: HK$22,984,000), representing the compensation payable in respect of the termination of the hotel operation of the Gloryear Group.

13. OTHER BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Current:		
Unsecured loans — principal and interest portions *(note (i))*	**35,100**	120,262
Unsecured loan — interest portion *(note (ii))*	**37,930**	1,644
	73,030	121,906
Non-current:		
Unsecured loan, principal portion *(note (ii))*	**936,000**	1,000,000
Total other borrowings	**1,009,030**	1,121,906

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

	2019	2018
	HK$'000	*HK$'000*
On demand	**35,366**	7,019
Within 1 year	**37,664**	114,887
Between 1 and 2 years	**936,000**	1,000,000
	1,009,030	1,121,906
Carrying amount of other borrowings repayable within one year	**35,100**	114,887
Interest portions of other borrowings	**37,930**	7,019
Amounts shown under current liabilities	**73,030**	121,906
Amounts shown under non-current liabilities	**936,000**	1,000,000
	1,009,030	1,121,906

Notes:

(i) During the year ended 31 March 2018, the Group entered into loan agreements with several independent third parties to the Group for unsecured loans with aggregate principal amount of RMB91,910,000, equivalent to approximately HK$114,887,000. The unsecured loans carry a fixed interest rate of 10% per annum, with the interest payable quarterly, and will mature 1 year after the drawdown. During the year ended 31 March 2019, aggregate principal amount of RMB61,910,000, equivalent to approximately HK$71,816,000 has been repaid, while remaining principal amount of RMB30,000,000, equivalent to approximately HK$35,100,000, has been extended for repayment to 1 April 2019. The entire balance was fully settled subsequent to year end.

The effective interest rate of the above-mentioned unsecured loans is 10%.

(ii) During the year ended 31 March 2018, the Group entered into a loan agreement with an independent third party to the Group for an unsecured loan with principal amount of RMB800,000,000, equivalent to approximately HK$1,000,000,000. The loan is unsecured, carries a fixed interest rate of 10% per annum, with the interest payable quarterly, and will mature on 25 March 2020.

On 4 January 2019, the maturity date of the loan was extended to 25 March 2021.

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

At the end of the reporting period, the Group has the following undrawn facility from other borrowings:

	2019	2018
	HK$'000	*HK$'000*
Fixed rate		
— expiring on 12 January 2019	**—**	200,000

14. PROMISSORY NOTES

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the year	**855,587**	793,347
Interest charge *(note 6)*	**62,240**	62,240
At the end of the year	**917,827**	855,587

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

Promissory notes with aggregate principal amount of HK$390,000,000 were early redeemed by the Company during the year ended 31 March 2017, while promissory notes with aggregate principal amount of HK$778,000,000 remained outstanding.

On 15 December 2017, promissory notes with aggregate principal amount of HK$778,000,000 have been transferred to Total Idea International Limited, in which Mr. Hu was the ultimate beneficial owner.

On 5 December 2018, the maturity date of the promissory notes has been extended from 28 July 2019 to 28 July 2020. Details are set out in the Company's announcement dated 5 December 2018.

15. UNSECURED BORROWINGS FROM A DIRECTOR

	2019	2018
	HK$'000	*HK$'000*
Unsecured borrowings denominated in Renminbi *(note (i))*		
— principal portion	**344,156**	—
— interest portion	**12,451**	—
	356,607	—
Unsecured borrowing denominated in Hong Kong dollars *(note (ii))*		
— principal portion	**50,000**	—
— interest portion	**910**	—
	50,910	—
	407,517	—

Notes:

(i) On 1 June 2018 and 29 August 2018, a unsecured revolving loan facility has been granted from Mr. Hu to certain subsidiaries established in the PRC with amount up to RMB500,000,000, equivalent to HK$585,000,000, and carries a fixed interest rate of 9% per annum, with principal and interest portions will mature on 31 May 2020. As at 31 March 2019, unsecured borrowings with aggregate principal amount of RMB294,150,000 (31 March 2018: nil), equivalent to approximately HK$344,156,000 (31 March 2018: nil), has been drawn down. The above-mentioned unsecured borrowings, with the interest accrued, will mature and be payable after 1 year from 31 March 2019 and were classified under non-current liabilities as at 31 March 2019. The effective interest rates of the unsecured borrowings is 9% per annum.

(ii) On 7 January 2019, another unsecured revolving loan facility has been granted from Mr. Hu to an indirectly wholly-owned subsidiary of the Company with amount up to HK$100,000,000, and carries a fixed interest rate of 8% per annum, with principal and interest portions will mature on 6 July 2021. As at 31 March 2019, unsecured borrowing with principal amount of HK$50,000,000 have been drawn down. The above-mentioned unsecured borrowing, with the interest accrued, will mature and be payable after 1 year from 31 March 2019 and was classified under non-current liabilities as at 31 March 2019. The effective interest rates of the unsecured borrowing is 8% per annum.

At the end of the reporting period, the Group has the following undrawn facilities granted from a Director:

	2019	2018
	HK$'000	*HK$'000*
Fixed rate		
— expiring on 31 May 2020	**240,844**	—
— expiring on 6 July 2021	**50,000**	—
	290,844	—

16. CAPITAL COMMITMENT

	2019	2018
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements		
— construction of properties	**125,937**	231,910

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this preliminary announcement have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The procedure performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

The board is pleased to report the results of the Group for the year ended 31 March 2019 ("FY19"). During FY19, the consolidated loss attributable to equity holders of the Company was HK$129.3 million (year ended 31 March 2018 ("FY18"): HK$92.7 million). Basic loss per share was 6.78 HK cents (FY18: 4.86 HK cents).

Business Review

The Group remained focusing on the development, sales and leasing of properties in the PRC. During FY19, property sales volume and property price in the PRC increased progressively and expected to grow in forthcoming years.

Chongqing Property

Chongqing Kingstone holds a property located in Jiefangbei business district of Yuzhong District and is close to Jiefangbei Walking Street (the "Chongqing Property"), 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). Upon completion of the redevelopment, the Chongqing Property will comprise residential apartments (for sale), service apartments (for lease) and commercial units in a shopping mall (for lease).

The redevelopment comes to the final completion stage. The residential apartments are all available for sales upon demand from potential customers. In respect of the service apartments which will be managed by an international renowned hotel management group and commercial units of a shopping mall both are for lease, it is expected the remaining redevelopment will be completed and available for lease in the second half of 2019. The redevelopment slightly falls behind the planned schedule due to the redevelopment plan is progressively refined. Nevertheless, we are confident that the Chongqing Property will be completed for redevelopment in the second half 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 2020 and Chongqing Kingstone 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 PRC 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 flows and lower the gearing ratio and the finance costs.

The Company has also been continuously evaluating the current business strategies of the Group and the financing performance of the Group's existing businesses with an aim to achieve the best use of its resources and improve its overall performance and investment 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.

Financial Review

Revenue, gross profit and gross profit margin

Revenue of the Group was HK$156.7 million (FY18: HK$23.2 million) during FY19, which comprised sales of residential apartments of the Chongqing Property. The revenue has increased by HK$133.5 million or 575% as a result of the increase in the number of apartments sold.

Gross profit of the Group increased by HK$53.0 million or 736% to HK$60.2 million (FY18: HK$7.2 million) in FY19 as a result of the increase in sales of the residential apartments mentioned above.

Gross profit margin of the Group increased from 31% in FY18 to 38% in FY19 due to the continued growth in Chongqing residential property market and the demand of our residential units has been increased. As a result, the selling price of the residential units of the Chongqing Property has increased in order to maximise the return from sales of properties.

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

S&A expenses mainly comprised selling expenses of HK$7.6 million (FY18: HK$5.6 million) and administrative expenses of HK$42.5 million (FY18: HK$50.4 million). S&A expenses decreased by HK$5.9 million or 10.5% to HK$50.1 million (FY18: HK$56.0 million) in FY19, which was mainly due to (1) a decrease of Directors' emoluments in FY19 by HK$3.0 million after appointment of new Directors; (2) a decrease in professional fee by HK$2.0 million as no major disposal and acquisition projects were carried out in FY19; and (3) a decrease of auditor's remuneration by HK$2.5 million related to the change of auditor in FY17.

Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company increased from HK$92.7 million in FY18 to HK$129.3 million in FY19, representing an approximately 39.5% increase over the previous year, which was mainly attributable to the net effect of (1) an increase in gross profit by HK$53.0 million from HK$7.2 million in FY18; (2) a decrease in fair value of investment properties under construction of HK$30.4 million (FY18: increase in fair value of investment properties under construction of HK$54.1 million); (3) a finance income of HK$29.3 million earned from a refundable deposit for a proposed acquisition in FY18, which has been refunded subsequently in FY18; (4) an one-off profit from discontinued operation of HK$16.5 million was earned in FY18 from disposal of a segment engaged in the development and operation of a large-scale international pearl and jewellery trading platform and the leasing and sale of the related commercial and residential properties; and (5) a decrease in finance cost by HK$40.7 million from HK$123.7 million in FY18 to HK$83.0 million in FY19.

Liquidity and capital resources

As at 31 March 2019, the Group's total equity was HK$774.7 million (2018: HK$1,024.3 million), representing a decrease of 24.4% from last year, which was due to (1) an incurring of loss attributable to equity holders of the Company of HK$129.3 million; and (2) an exchange loss on translation of foreign operations of HK$120.2 million as a result of decreasing in exchange rate of Renminbi against Hong Kong Dollars.

As at 31 March 2019, the Group had cash and cash equivalents of HK$163.2 million (2018: HK$55.4 million). Cash and bank balances were mainly denominated in Renminbi. The Group's working capital or net current assets were HK$340.8 million (2018: HK$232.3 million). The current ratio, represented by the current assets divided by the current liabilities, was 1.9 (2018: 1.6).

As at 31 March 2019, the Group had current liabilities of HK$371.2 million (2018: HK$416.4 million) and total borrowings, representing other borrowings, promissory notes and unsecured borrowings from a Director, of HK$2,334.4 million (2018: HK$1,977.5 million) with interest bearing and denominated in Renminbi and Hong Kong dollars. The Group does not currently use any derivatives to manage interest rate risk. Gearing ratio, represented by total borrowings divided by total equity, was 3.0 (2018: 1.9).

Approximately HK$73.0 million (2018: HK$121.9 million) of the total borrowings will be due in the coming twelve months from the end of the reporting period. As at 31 March 2019, the Group had capital commitment of HK$125.9 million (2018: HK$231.9 million), while its net current assets and cash and cash equivalents amounted to HK$340.8 million (2018: HK$232.3 million) and HK$163.2 million (2018: HK$55.4 million), respectively.

In view of the above, the Directors have reviewed the Group's cash flow projections covering a period of twelve months from 31 March 2019 which have taken into account the following measures:

(1) Chongqing Kingstone has commenced the sales of the properties from the year ended 31 March 2017 which is expected to continue to generate stable operating cash inflows to the Group;

(2) During the year ended 31 March 2019, the Group obtained unsecured revolving loan facilities from Mr. Hu, with financial support from a company controlled by Mr. Hu, in the amounts of (i) RMB500,000,000, equivalent to HK$585,000,000, carrying an interest rate of 9% per annum and will mature on 31 May 2020; and (ii) HK$100,000,000, carrying an interest rate of 8% per annum and will mature on 6 July 2021. As at 31 March 2019, RMB294,150,000, equivalent to approximately HK$344,156,000, and HK$50,000,000 were utilised by the Group respectively and remaining total undrawn facilities amounted to approximately HK$290,844,000. Subsequent to the end of the reporting period, RMB167,600,000, equivalent to HK$196,092,000, were drawn down by the Group; and

(3) The Company will not early redeem any promissory notes or repaid any borrowings before the maturity date until the Group is in a financial position to do so.

Based on the above, in the opinion of the Directors, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 31 March 2019. Accordingly, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

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 Renminbi. The Group is exposed to foreign exchange fluctuations from Renminbi which is the main foreign currency transacted by the Group during FY19.

The Group has not entered into any foreign exchange contract as hedging measures. The Group manages its foreign currency risk against 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 31 March 2019, the Group had a total workforce of 61 (2018: 61), of whom 16 (2018: 11) were based in Hong Kong. The total staff cost, including Directors' emoluments and contribution to mandatory provident fund, was approximately HK$26.5 million (2018: HK$27.2 million). Employees were remunerated on the basis of their performance and experience. Remuneration packages, including salary and year-end discretionary bonus, were determined by reference to market conditions and individual performance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 March 2019. To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from all three independent non-executive Directors, namely Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po in accordance with Rule 3.13 of the Listing Rules.

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

AUDIT COMMITTEE

The audit committee, which comprises all three independent non-executive Directors of the Company, has reviewed with the management, the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of the consolidated financial statements of the Group for the year ended 31 March 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

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 year ended 31 March 2019.

PROSPECTS

The Chongqing Property is currently in the progress of redevelopment. Upon the completion of redevelopment, it will comprise residential apartments, service apartment and a shopping mall. The redevelopment comes to the final stage. The residential apartments are all available for sales upon demand from potential customers. In respect of the service apartments which will be managed by an international renowned hotel management group and commercial units of a shopping mall both for lease, it is expected the remaining redevelopment will be completed and available for lease in the second half of 2019. The redevelopment slightly falls behind the planned schedule due to redevelopment plan is progressively refined. Nevertheless, we are confident that the Chongqing Property will be completed for redevelopment in the second half of 2019.

The Chongqing Property is located in the central business district. Given the promising commercial and residential property market in Chongqing, along with the increasing in purchasing power and the implementation of "The Belt and Road Initiative" which also brings development opportunities to the Chongqing real estate market, it is expected to achieve steady growth in foreseeable future. After the completion of the remaining redevelopment, the selling of residential apartments and leasing of service apartments and commercial units in a shopping mall will be able to generate stable income to the Group in the long run.

Given the Group's current high gearing position and the deleveraging policy implemented by the PRC 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 flows and lower the gearing ratio and the finance costs.

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

BOARD OF DIRECTORS

As at the date hereof, the executive Directors of the Company are Mr. Hu Xingrong (Chairman), Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu; whilst the independent non-executive Directors of the Company are Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po.

By Order of the Board
MAN SANG INTERNATIONAL LIMITED
Hu Xingrong
Chairman

Hong Kong, 12 June 2019

Remark:

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