MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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 2019, together with the unaudited comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**23,587**	26,922
Cost of sales		**(18,011)**	(21,287)
Gross profit		**5,576**	5,635
Other gains, net		**109**	21
Decrease in fair value of financial asset at fair value through profit or loss		**(974)**	—
Selling expenses		**(7,783)**	(1,880)
Administrative expenses		**(25,185)**	(23,547)
(Decrease) increase in fair value of investment properties under construction		**(18,897)**	2,527
Finance income	*6*	**19**	34
Finance costs	*6*	**(46,463)**	(49,940)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS — *Continued*
For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Loss before tax	*7*	**(93,598)**	(67,150)
Income tax credits (expenses)	*8*	**434**	(6,642)
Loss for the period and attributable to equity holders of the Company		**(93,164)**	(73,792)
LOSS PER SHARE	*10*		
— basic and diluted (HK cents)		**(4.89)**	(3.87)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(93,164)**	(73,792)
Other comprehensive loss		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(101,883)**	(164,304)
Total comprehensive loss for the period and attributable to the equity holders of the Company	**(195,047)**	(238,096)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2019

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Non-current assets			
Investment properties under construction		**1,710,912**	1,767,135
Property, plant and equipment		**718,814**	661,090
Prepaid lease payments		**—**	264,479
Financial asset at fair value through profit or loss		**8,383**	9,925
Right-of-use assets		**280,292**	—
Intangible assets		**1,019**	—
		2,719,420	2,702,629
Current assets			
Properties under development		**500,893**	501,289
Deposits, prepayments and other receivables	*11*	**49,947**	47,428
Cash and cash equivalents		**38,092**	163,248
		588,932	711,965
Current liabilities			
Accruals and other payables	*12*	**241,753**	178,478
Amount due to a related company		**575**	1,305
Current income tax liabilities		**115,522**	118,359
Other borrowings	*14*	**44,190**	73,030
Lease liabilities		**5,855**	—
		407,895	371,172
Net current assets		**181,037**	340,793
Total assets less current liabilities		**2,900,457**	3,043,422

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION —
Continued
At 30 September 2019

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Non-current liabilities			
Deferred income tax liabilities		**2,171**	7,336
Promissory notes	*13*	**949,032**	917,827
Other borrowing	*14*	**828,300**	936,000
Unsecured borrowings from a director	*15*	**510,960**	407,517
Lease liabilities		**30,299**	—
		2,320,762	2,268,680
Net assets		**579,695**	774,742
Capital and reserves			
Share capital	*16*	**190,617**	190,617
Reserves		**389,078**	584,125
Total equity		**579,695**	774,742

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").

The condensed consolidated interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of changes in accounting policies are set out in note 3.

This condensed consolidated interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

As at 30 September 2019, the Group's borrowings comprised of outstanding promissory notes, unsecured borrowings from a director and other borrowings, amounted to HK$2,332,482,000 (31 March 2019: HK$2,334,374,000), of which approximately HK$44,190,000 will be due for repayment in the next twelve months (31 March 2019: HK$73,030,000).

As at 30 September 2019, the Group had capital commitment of HK$89,913,000 (31 March 2019: HK$125,937,000), while its net current assets and cash and cash equivalents amounted to HK$181,037,000 (31 March 2019: HK$340,793,000) and HK$38,092,000 (31 March 2019: HK$163,248,000), respectively.

The Directors of the Company have reviewed the Group's cash flow projection covering a period of twelve month from 30 September 2019, which has taken into account of the following measures:

(1) Sales of residential apartment units of the Chongqing Property will continue generate operating cash inflows to the Group.

(2) During the reporting period, the Group has entered into agreements with the lenders to extend the maturity date of the following facilities:

   (a) Maturity date of promissory notes with aggregate principal amount of HK$778,000,000 was extended from 28 July 2020 to 28 July 2021;

   (b) Maturity date of unsecured revolving loan facility of RMB500,000,000 was extended from 31 May 2020 to 6 July 2021.

(3) As at the end of the reporting period, the Group had remaining total unutilised facilities provided by a director amounted to approximately HK$170,043,000.

(4) The Company will not early redeem any promissory notes or repay any borrowings before the respectively maturity dates 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 30 September 2019.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost 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 2019 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 April 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 3 below.

The application of other new and amendments to 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 these condensed consolidated interim financial information.

2.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 9%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following table summarises the impact of transition of HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

	Note	**Carrying amount previously reported at 31 March 2019**	**Impact on adoption of HKFRS 16**	**Carrying amount restated at 1 April 2019**
		HK$'000	*HK$'000*	*HK$'000*
Prepaid lease payments	*b*	264,479	(264,479)	—
Right-of-use assets	*a*	—	298,511	298,511
Total non-current assets		2,702,629	34,032	2,736,661
Lease liabilities	*a*	—	3,861	3,861
Total current liabilities		371,172	3,861	375,033
Net current assets		340,793	(3,861)	336,932
Total assets less current liabilities		3,043,422	30,171	3,073,593
Lease liabilities	*a*	—	30,171	30,171
Total non-current liabilities		2,268,680	30,171	2,298,851

Notes:

a. As at 1 April 2019, right-of-use assets were measured at an amount equal to the lease liabilities of HK$34,032,000 on initial adoption of HKFRS 16.

b. Prepaid lease payments of HK$264,479,000 represent the upfront payments for leasehold lands in the People's Republic of China (the "PRC").

3. CHANGES IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy as stated in the Group's annual consolidated financial statements for the year ended 31 March 2019.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Administrative expenses/other expenses/to specify" in the condensed consolidated statement of profit or loss and other comprehensive income.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. REVENUE

Revenue from sales of properties is recognised at a point in time. Revenue represents revenue from contracts with customers arising on the sales of properties located in the PRC 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.

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.

Revenue of the Group for the six months ended 30 September 2019 amounted to approximately HK$23,587,000 (six months ended 30 September 2018: approximately HK$26,922,000) was derived from one external customer which accounted for over 10% of the total revenue of the Group.

6. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September 2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Unaudited)
Finance income:		
— Bank interest income	**19**	34
Finance costs:		
— Interest on other borrowings	**42,662**	54,197
— Interest on unsecured borrowings from a director	**18,828**	1,240
— Interest on promissory notes *(note 13)*	**31,205**	31,205
— Interest on lease liabilities	**1,661**	—
	94,356	86,642
Less: amount capitalised on qualifying assets	**(47,893)**	(36,702)
	46,463	49,940

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30 September 2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Unaudited)
Cost of completed properties held for sale	**18,011**	21,287
Depreciation of property, plant and equipment	**617**	386

8. INCOME TAX (CREDITS) EXPENSES

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
— PRC land appreciation tax	**4,291**	6,010
Deferred income tax	**(4,725)**	632
	(434)	6,642

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 2019 (2018: 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% (2018: 25%) on the estimated assessable profits for the six months ended 30 September 2019 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 during the six months ended 30 September 2019 (2018: 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 land 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. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

10. 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:

	Six months ended 30 September	
	2019	2018
	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	**(93,164)**	(73,792)
	'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 2019 and 2018, basic and dilutive loss per share are the same for both reporting periods.

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deposits and other receivables *(note)*	**34,653**	30,805
Prepayments	**15,294**	16,623
	49,947	47,428

Note: Included in the balance as at 30 September 2019 is other receivable of approximately RMB15,948,000 (31 March 2019: RMB18,387,000), equivalent to approximately HK$17,543,000 (31 March 2019: HK$21,513,000), 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.

12. ACCRUALS AND OTHER PAYABLES

	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Construction costs accruals and payables	**177,722**	110,625
Other accruals and payables (note)	**64,031**	67,853
	241,753	178,478

Note: Included in the balance as at 30 September 2019 is other payable of approximately RMB15,948,000 (31 March 2019: RMB18,387,000), equivalent to approximately HK$17,543,000 (31 March 2019: HK$21,513,000), in respect of the compensation payable arising from the termination of the hotel operation of the Gloryear Group.

13. PROMISSORY NOTES

	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
At the beginning of the period/year	**917,827**	855,587
Interest charge *(note 6)*	**31,205**	62,240
At the end of the period/year	**949,032**	917,827

On 28 July 2016, the Company issued promissory notes with aggregate principal amount of HK$1,168,000,000 as part of the consideration to acquire of the entire equity interest in the Gloryear Group. The promissory notes are unsecured, carries a fixed interest rate of 8% per annum and would 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 Xingrong ("Mr. Hu"), the executive director and chairman of the Company, is 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.

On 26 September 2019, the maturity date of the promissory notes has been further extended from 28 July 2020 to 28 July 2021. Details are set out in the Company's announcement dated 26 September 2019.

14. OTHER BORROWINGS

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current:		
Unsecured loan — principal and interest portions *(note (i))*	**—**	35,100
Unsecured loan — interest portion *(note (ii))*	**44,190**	37,930
	44,190	73,030
Non-current:		
Unsecured loan — principal portion *(note (ii))*	**828,300**	936,000
Total other borrowings	**872,490**	1,009,030

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

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
On demand	**—**	35,366
Within 1 year	**44,190**	37,664
After 1 year but within 2 years	**828,300**	936,000
	872,490	1,009,030
Carrying amount of other borrowings repayable within one year	**—**	35,100
Interest portion of other borrowings	**44,190**	37,930
Amounts shown under current liabilities	**44,190**	73,030
Amounts shown under non-current liabilities	**828,300**	936,000
	872,490	1,009,030

Notes:

(i) The unsecured loan as at 31 March 2019 represented the unsecured loan with principal amount of RMB30,000,000, equivalent to HK$35,100,000, from an independent third party to the Group. The unsecured loan carried a fixed interest rate of 10% per annum with the interest payable quarterly.

During the six months ended 30 September 2019, the unsecured loan has been fully settled.

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

(ii) The unsecured loan as at 30 September 2019 represents the unsecured loan with principal amount of RMB753,000,000 (31 March 2019: RMB800,000,000), equivalent to HK$828,300,000 (31 March 2019: HK$936,000,000), 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 2021.

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

15. UNSECURED BORROWINGS FROM A DIRECTOR

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unsecured borrowings denominated in RMB *(note (i))*		
— principal portion	**415,657**	344,156
— interest portion	**27,893**	12,451
	443,550	356,607
Unsecured borrowings denominated in HK$ *(note (ii))*		
— principal portion	**64,300**	50,000
— interest portion	**3,110**	910
	67,410	50,910
	510,960	407,517

Notes:

(i) On 1 June 2018 and 29 August 2018, an unsecured revolving loan facility with an aggregate facility amount of RMB500,000,000 (equivalent to HK$550,000,000) has been granted from Mr. Hu to certain subsidiaries established in the PRC which carries a fixed interest rate of 9% per annum, with original maturity date on 31 May 2020. On 26 September 2019, the maturity date of the above-mentioned loan facility has been extended from 31 May 2020 to 6 July 2021.

As at 30 September 2019, unsecured borrowings with aggregate principal amount of RMB377,870,000 (31 March 2019: RMB294,150,000), equivalent to approximately HK$415,657,000 (31 March 2019: HK$344,156,000), has been drawn down. The effective interest rate 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 amounted to HK$100,000,000, which carries a fixed interest rate of 8% per annum, with maturity date on 6 July 2021. As at 30 September 2019, unsecured borrowing with principal amount of HK$64,300,000 (31 March 2019: HK$50,000,000) has been drawn down. The effective interest rate of the unsecured borrowing is 8% per annum.

At the end of the reporting period, the Group had the following unutilised facilities granted from a director:

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Fixed rate		
— expiring on 31 May 2020	**—**	240,844
— expiring on 6 July 2021	**170,043**	50,000
	170,043	290,844

16. SHARE CAPITAL

	Number of shares		**Share capital**	
	30 September 2019	31 March 2019	**30 September 2019**	31 March 2019
	'000	*'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Ordinary 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

17. COMMITMENTS

Capital commitments

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the condensed consolidated interim financial information:		
— Construction of properties	**86,528**	125,937
— Decoration	**3,385**	—
	89,913	125,937

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The board of directors (the "Board") of Man Sang International Limited (the "Company") is pleased to report the results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2019 (the "Current Period"). During the Current Period, the unaudited consolidated loss attributable to equity holders of the Company was HK$93,164,000 (six months ended 30 September 2018: HK$73,792,000). Basic loss per share was 4.89 HK cents (six months ended 30 September 2018: 3.87 HK cents).

BUSINESS REVIEW

During the Current Period, China's economy still achieved more than 6% growth despite the trade tension. The Group remained focusing on the development, sales and leases of properties in Mainland China.

Chongqing Property

The Group holds a property located in Jiefangbei business district of Yuzhong District (the "Chongqing Property"), which is close to Jiefangbei Walking Street, a popular local pedestrian lane with numerous retail shops.

The Chongqing Property is in the process of redevelopment (renovation without demolishing/altering the building structure). Upon the completion of redevelopment, the Chongqing Property will comprise of residential apartments (for sale), serviced apartments to be managed by an international renowned hotel management group (for lease) and a shopping mall (for lease).

The redevelopment has come to the final completion stage. The residential apartments are all available for sale upon demand from potential customers. The serviced apartments are now under trial run process. The shopping mall is currently in the final modification process, which will be available for lease upon completion. The redevelopment was slightly behind the planned schedule as a result of the progressive refine of the redevelopment plan. Nevertheless, we are confident that the redevelopment process of the Chongqing Property will be completed within this financial year and, as a result of its geographical advantage, it is expected that the Chongqing Property will become a new landmark in the Yuzhong District.

We expect the revenue from the leasing of the serviced apartments will be generated in the current financial year, while the leasing income from the shopping mall will be generated in the next financial year, and the Group will generate stable rental income thereafter.

Looking Forward

As the redevelopment process of the Chongqing Property will be completed in the foreseeable future, the Chongqing Property business will step forward from the development phase to the operating phase. The Group will continue focusing on (i) monitoring the financial performance of the Chongqing Property operations; and (ii) maximising the return from the Chongqing Property so as to generate stable income and cash inflows, in order to lower the gearing ratio of the Group, as well as the finance costs.

Besides, the Company has been actively looking for investment opportunities with promising outlook and prospects in order to diversify the Group's revenue sources and to create value to shareholders.

FINANCIAL REVIEW

During the Current Period, revenue of the Group was HK$23,587,000 (six months ended 30 September 2018: HK$26,922,000), which represented the sales of residential apartments of the Chongqing Property. The decrease in revenue was mainly due to the decrease in floor area of the residential apartments sold for the Current Period.

Gross profit of the Group was maintained at HK$5,576,000 in the Current Period (six months ended 30 September 2018: HK$5,635,000).

As the redevelopment process of the Chongqing Property is approaching the completion stage, the Group carried out more advertising and promotion activities in the Current Period, in order to attract potential customers in the market, selling and distribution expenses increased as a result. While administrative expenses remained stable as compared to the prior period.

The loss attributable to equity holders of the Company increased to HK$93,164,000 in the Current Period (six months ended 30 September 2018: HK$73,792,000), which was mainly attributable to the decrease in fair value of investment properties under construction of HK$18,897,000 (six months ended 30 September 2018: increase in fair value of HK$2,527,000), partially offset by the deferred tax credit arising thereof.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September 2019, the Group's total equity was HK$579,695,000 (31 March 2019: HK$774,742,000). The decrease in equity was mainly attributable to (i) the loss of the Group during the Current Period of HK$93,164,000; and (ii) the exchange loss on the translation of foreign operations of HK$101,883,000 arose from the depreciation of Renminbi ("RMB") against Hong Kong dollars during the Current Period.

As at 30 September 2019, the Group had cash and cash equivalents of HK$38,092,000 (31 March 2019: HK$163,248,000). Cash and cash equivalents were mainly denominated in Hong Kong dollars and RMB. The current ratio of Group was 1.4 (31 March 2019: 1.9).

As at 30 September 2019, the Group's borrowings comprised of outstanding promissory notes, unsecured borrowings from a director and other borrowings, amounted to HK$2,332,482,000 (31 March 2019: HK$2,334,374,000), of which approximately HK$44,190,000 will be due for repayment in the next twelve months (31 March 2019: HK$73,030,000).

These borrowings were interest bearing at rates ranging from 8% to 10% per annum and denominated in Hong Kong dollars and RMB. As at the end of the Current Period, gearing ratio of the Group was 4.0 (31 March 2019: 3.0).

As at 30 September 2019, the Group had capital commitment of HK$89,913,000 (31 March 2019: HK$125,937,000), while its net current assets and cash and cash equivalents amounted to HK$181,037,000 (31 March 2019: HK$340,793,000) and HK$38,092,000 (31 March 2019: HK$163,248,000), respectively.

The Directors of the Company have reviewed the Group's cash flow projection covering a period of twelve month from 30 September 2019, which has taken into account of the following measures:

(1) Sales of residential apartment units of the Chongqing Property will continue generate operating cash inflows to the Group.

(2) During the Current Period, the Group has entered into agreements with the lenders to extend the maturity date of the following facilities:

    (a) Maturity date of promissory notes with aggregate principal amount of HK$778,000,000 was extended from 28 July 2020 to 28 July 2021;

    (b) Maturity date of unsecured revolving loan facility of RMB500,000,000 was extended from 31 May 2020 to 6 July 2021.

(3) As at the end of the Current Period, the Group had remaining total unutilised facilities provided by a director amounted to approximately HK$170,043,000.

(4) The Company will not early redeem any promissory notes or repay any borrowings before the respectively maturity dates 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 30 September 2019.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities or guarantees (31 March 2019: Nil).

CHARGE OF ASSETS

As at 30 September 2019, the Company did not have any charges on its assets.

MATERIAL ACQUISITIONS AND DISPOSAL OF ASSETS, SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed herein, there was no material acquisition or disposal of subsidiaries, associates or joint ventures during the Current Period.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 September 2019, the Company did not make any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed herein, the Company currently does not have any future plans for material investments or capital assets.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group principally operates its business 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 the Current Period.

The Group did not enter into any foreign exchange contract as hedging measures during the Current Period. The Group manages its foreign currency risk against RMB by closely monitoring its movement and may use hedging derivatives, such as foreign currency forward contracts, to manage its foreign currency risk as appropriate.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2019, the Group had a total workforce of approximately 170 (31 March 2019: 61). The total staff costs, including Directors emoluments and mandatory provident fund contributions, amounted to HK$17,929,000 for the Current Period (six months ended 30 September 2018: HK$12,000,000). Employees are remunerated based on their performance and experience. Remuneration package, including salary and year-end discretionary bonus, is 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 2019 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 2019.

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 2019.

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 2019 and has recommended their adoption to the Board.

EVENT AFTER THE CURRENT PERIOD

There was no significant events after the Current Period and up to the date of this announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the executive Directors are Mr. Hu Xingrong (Chairman), Mr. Huang Xiaohai, Mr. Jin Jianggui, Mr. Li Zhenyu and Mr. Xu Haohao; and the independent non-executive Directors are 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, 22 November 2019