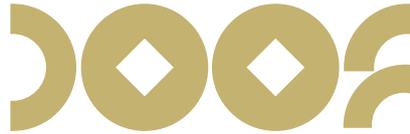

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Man Sang International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.



Man Sang International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATES AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company



Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders



BAOQIAO PARTNERS CAPITAL LIMITED

A notice convening a special general meeting of Man Sang International Limited to be held at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road Wanchai, Hong Kong on Tuesday, 5 October 2021 at 5:00 p.m., is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company at www.msil.com.hk.

Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the special general meeting, or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

Please see page ii of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the special general meeting, including:

- compulsory temperature checks
- submission of health declaration form, which may be used for contact tracing, if required
- compulsory wearing of surgical face masks for each attendee
- no distribution of corporate gifts or refreshments
- Shareholders are strongly encouraged to raise question to the management in writing before the meeting

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the venue of the special general meeting. The Company also encourages its shareholders to consider appointing the chairman of the meeting as its/his/her proxy to vote on the relevant resolutions at the special general meeting as an alternative to attending the meeting in person. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

16 September 2021

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PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the ongoing Novel Coronavirus (“**COVID-19**”) pandemic and recent requirements, if any, for prevention and control of its spread, the Company will implement the following preventive measures at its special general meeting (“**SGM**”):

- (i) Compulsory body temperature check will be conducted on every shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the SGM venue and be asked to leave the SGM venue.
- (ii) Shareholders that (a) have travelled, and have been in close contact with any person who has travelled, outside of Hong Kong (as per guidelines issued by the Hong Kong government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days; (b) are, and have been, in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine); (c) are, and have been, in close contact with anyone who has contracted COVID-19, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19; or (d) have any flu-like symptoms, may be denied entry into the SGM venue and be asked to leave the SGM venue.
- (iii) All shareholders, proxies and other attendees are required to (a) fill in and submit health declaration form with information including travelling record and health condition; and (b) wear surgical face masks inside the SGM venue at all times. Any person who does not comply with this requirement may be denied entry into the SGM venue and be asked to leave the SGM venue.
- (iv) No refreshments will be served, and there will be no corporate gifts. Seating will be arranged to ensure adequate physical distancing between attendees in order to reduce person-to-person contact.
- (v) Shareholders are strongly encouraged to raise question to the management in writing before the meeting.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In the interest of all stakeholders’ health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the meeting in person, shareholders are encouraged to consider appointing the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM by submitting forms of proxy with voting instructions inserted.

The form of proxy is attached to this circular for shareholders who opt to receive printed copies of the Company’s corporate communications. Alternatively, the form of proxy can be downloaded from the Company’s website at www.msil.com.hk and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. If you are not a registered shareholder (if your shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

| | |
|-------------------------------|---|
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Board” | the board of Directors |
| “business day” | any day (other than a Saturday or Sunday and any day on which a tropical cyclone warning signal No. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon and is not discontinued at or before 12:00 noon) on which banks are generally open for business in Hong Kong |
| “China DaDi” | China DaDi Group Limited, a company incorporated under the laws of British Virgin Islands and wholly-owned by Mr. Hu |
| “Company” | Man Sang International Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 938) |
| “connected person(s)” | has the same meaning ascribed thereto under the Listing Rules |
| “Director(s)” | the directors of the Company from time to time |
| “Faithful Goal” | Faithful Goal International Limited, a company incorporated under the laws of Hong Kong, an indirect wholly-owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Indebted Amount” | the aggregate principal sums of the Set-off PN and the Loan |
| “Independent Board Committee” | the independent Board committee, comprising all the independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Subscriptions |

DEFINITIONS

| | |
|---------------------------------|---|
| “Independent Financial Adviser” | BaoQiao Partners Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions |
| “Independent Shareholders” | Shareholders other than those required under the Listing Rules to abstain from voting on the resolutions to be proposed at the SGM |
| “Latest Practicable Date” | 10 September 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |
| “Listing Committee” | has the meaning ascribed to it under the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan” | the principal sum of HK\$100,000,000 drawn down and outstanding under the revolving loan in the maximum amount of HK\$100,000,000 granted by Mr. Hu to Faithful Goal, to be set-off for satisfying the aggregate Subscription Price under the Subscription Agreement II |
| “Long Stop Date” | 31 December 2021, or such other date as agreed in writing |
| “Mr. Hu” | Mr. Hu Xingrong, an executive Director and ultimate controlling Shareholder |
| “PRC” | the People’s Republic of China |
| “Promissory Notes” | the outstanding promissory note in an aggregate principal amount of HK\$778,000,000 issued by the Company to Total Idea |
| “SAI Completion” | the performance and completion by the Company and Total Idea of their respective obligations in respect of the Subscription Agreement I |
| “SAII Completion” | the performance and completion by the Company, Faithful Goal and Mr. Hu of their respective obligations in respect of the Subscription Agreement II |

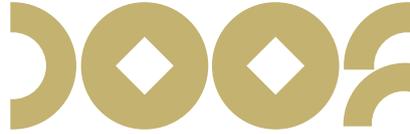
DEFINITIONS

| | |
|-----------------------------|--|
| “Set-off PN” | part of the Promissory Notes in an aggregate principal amount of HK\$228,000,000 to be set-off for satisfying the aggregate Subscription Price under the Subscription Agreement I |
| “SGM” | the special general meeting of the Company to be convened and held for the purposes of approving the Subscriptions and the Specific Mandates |
| “Share(s)” | the ordinary shares of HK\$0.50 each in the share capital of the Company |
| “Shareholder(s)” | holders of the issued Shares for the time being |
| “Specific Mandate I” | the specific mandate to be sought from the Independent Shareholders at the SGM for the allotment and issuance of the Subscription Shares under Subscription Agreement I |
| “Specific Mandate II” | the specific mandate to be sought from the Independent Shareholders at the SGM for the allotment and issuance of the Subscription Shares under Subscription Agreement II |
| “Specific Mandates” | the Specific Mandate I and the Specific Mandate II |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription I” | the share subscription pursuant to the Subscription Agreement I |
| “Subscription II” | the share subscription pursuant to the Subscription Agreement II |
| “Subscription Agreement I” | the share subscription agreement dated 17 August 2021 entered into between the Company and Total Idea in respect of the subscription by Total Idea of certain Subscription Shares |
| “Subscription Agreement II” | the share subscription agreement dated 17 August 2021 entered into between the Company, Faithful Goal and Mr. Hu in respect of the subscription by Mr. Hu of certain Subscription Shares |
| “Subscription Agreements” | the Subscription Agreement I and the Subscription Agreement II |
| “Subscription Price” | HK\$1.60 per Subscription Share |

DEFINITIONS

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|-------------------------|---|
| “Subscription Share(s)” | the new Shares to be subscribed by Total Idea under the Subscription Agreement I and Mr. Hu under the Subscription Agreement II |
| “Subscriptions” | the Subscription I and the Subscription II |
| “Total Idea” | Total Idea International Limited, a company incorporated under the laws of British Virgin Islands and wholly-owned by Mr. Hu |
| “%” | per cent |

LETTER FROM THE BOARD



Man Sang International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

Executive Directors:

Mr. HU Xingrong
Mr. HUANG Xiaohai
Mr. JIN Jiangui
Mr. LI Zhenyu
Mr. XU Haohao

Independent non-executive Directors:

Ms. PAU Yee Ling
Mr. WONG Kwan Kit
Mr. YUEN Hoi Po

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business:

Unit WF, 25th Floor
Eight Commercial Tower
8 Sun Yip Street
Chai Wan, Hong Kong

16 September 2021

To the Shareholders

Dear Sir or Madam

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATES AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 17 August 2021 in relation to, the Subscriptions.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Subscriptions; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscriptions; (iii) a letter of advice from the Independent Financial Adviser in relation to the Subscriptions; and (iv) a notice convening the SGM.

LETTER FROM THE BOARD

THE SUBSCRIPTIONS

On 17 August 2021, the Company entered into the Subscription Agreement I with Total Idea, pursuant to which Total Idea conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 142,500,000 Subscription Shares at the Subscription Price of HK\$1.60 per Subscription Share.

On the even day, the Company entered into the Subscription Agreement II with Faithful Goal and Mr. Hu, pursuant to which Mr. Hu conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 62,500,000 Subscription Shares at the Subscription Price of HK\$1.60 per Subscription Share.

The Subscription Agreement I

Date

17 August 2021

Parties

- (a) the Company (as issuer); and
- (b) Total Idea (as subscriber).

As at the Latest Practicable Date, Total Idea is a company wholly-owned by Mr. Hu and is an investment holding company. Mr. Hu is the ultimate controlling Shareholder, the chairman and an executive Director of the Company. Accordingly, Total Idea is a connected person of the Company.

Subscription Shares

Total Idea has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 142,500,000 Subscription Shares at the Subscription Price of HK\$1.60 per Subscription Share, and the aggregated Subscription Price shall be satisfied in full by setting off against the Company's obligation to repay part of the Promissory Notes (i.e. the Set-off PN of HK\$228,000,000).

Conditions precedent

SAI Completion is conditional upon the following conditions precedent having been fulfilled and remaining fulfilled:

- (a) all issued Shares remaining listed on, and not having been revoked or withdrawn from, the Stock Exchange and the Stock Exchange not having indicated that it will object to such listing and there being no events or circumstances existing based on which the Stock Exchange could reasonably be expected to raise such objections, and trading of the Shares not being suspended on the completion date save for trading halt or suspension required under the Listing Rules and/or required by the Stock Exchange;

LETTER FROM THE BOARD

- (b) the passing of all resolutions by the Independent Shareholders at the SGM to approve (i) the entering into of the Subscription Agreement I and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate I;
- (c) the public float of the issued Shares maintaining at a level that will not fall below the minimum requirement under the Listing Rules as required by the Stock Exchange immediately upon allotment and issuance of the Subscription Shares under the Subscription Agreement I;
- (d) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares under the Subscription Agreement I (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); and
- (e) the representations and warranties of each of the Company and Total Idea under Subscription Agreement I remaining true, accurate and correct in all material respects.

None of the conditions precedent under the Subscription Agreement I is capable of being waived.

If the conditions precedent have not been fulfilled on the Long Stop Date, the parties to the Subscription Agreement I may agree in writing to extend the Long Stop Date, but in which case the Company shall have the right to review and adjust the provisions under the Subscription Agreement I, and Total Idea shall have the right to either accept the adjusted terms or terminate the Subscription Agreement I.

If the parties have not agreed to extend the Long Stop Date, the Subscription Agreement I (save for certain surviving provisions) shall lapse and be of no further effect and neither party shall have any claim against the other, except in respect of any antecedent breach or accrued rights and obligations of the parties.

As at the Latest Practicable Date, save for conditions precedent (a), (c) and (e) above which have been fulfilled and remain fulfilled, other conditions precedent have not been fulfilled.

SAI Completion

SAI Completion shall take place on or before the fifth business day after the date on which all the conditions precedent have been satisfied. At SAI Completion, the Company shall allot and issue Subscription Shares under the Subscription Agreement I to Total Idea (or to such person(s) as Total Idea may direct) and procure that Total Idea and/or its nominee(s) be registered as member(s) on the share register of the Company in respect of the Subscription Shares under the Subscription Agreement I.

For avoidance of doubt, SAI Completion is not inter-conditional with SAII Completion.

The Subscription Agreement II

Date

17 August 2021

LETTER FROM THE BOARD

Parties

- (a) Faithful Goal (an indirect wholly-owned subsidiary of the Company);
- (b) the Company (as issuer); and
- (c) Mr. Hu (as subscriber).

Subscription Shares

Mr. Hu has conditionally agreed to subscribe for, the Company has conditionally agreed to, and Faithful Goal has conditionally agreed to procure the Company to, allot and issue 62,500,000 Subscription Shares at the Subscription Price of HK\$1.60 per Subscription Share, and the aggregated Subscription Price shall be satisfied in full by setting off against Faithful Goal's obligation to repay the principal amount of the Loan (i.e. HK\$100,000,000).

Conditions precedent

SAll Completion is conditional upon the following conditions precedent having been fulfilled and remaining fulfilled, including:

- (a) all issued Shares remaining listed on, and not having been revoked or withdrawn from, the Stock Exchange and the Stock Exchange not having indicated that it will object to such listing and there being no events or circumstances existing based on which the Stock Exchange could reasonably be expected to raise such objections, and trading of the Shares not being suspended on the completion date save for trading halt or suspension required under the Listing Rules and/or required by the Stock Exchange;
- (b) the passing of all resolutions by the Independent Shareholders at the SGM to approve (i) the entering into of the Subscription Agreement II and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate II;
- (c) the public float of the issued Shares maintaining at a level that will not fall below the minimum requirement under the Listing Rules immediately upon allotment and issuance of the Subscription Shares under the Subscription Agreement II;
- (d) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares under the Subscription Agreement II (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); and
- (e) the representations and warranties of each of the Company and Mr. Hu under Subscription Agreement II remaining true, accurate and correct in all material respects.

None of the conditions precedent under the Subscription Agreement II is capable of being waived.

LETTER FROM THE BOARD

If the conditions precedent have not been fulfilled on the Long Stop Date, the parties to the Subscription Agreement II may agree in writing to extend the Long Stop Date, but the Company shall have the right to review and adjust the provisions under the Subscription Agreement II, and Faithful Goal and Mr. Hu shall have the right to either accept the adjusted terms or terminate the Subscription Agreement II.

If the parties have not agreed to extend the Long Stop Date, the Subscription Agreement II (save for certain surviving provisions) shall lapse and be of no further effect and none of the parties shall have any claim against the others, except in respect of any antecedent breach or accrued rights and obligations of the parties.

As at the Latest Practicable Date, save for conditions precedent (a), (c) and (e) above which have been fulfilled and remain fulfilled, other conditions precedent have not been fulfilled.

SAII Completion

SAII Completion shall take place on or before the fifth business day after the date on which all the conditions precedent have been satisfied. At SAII Completion, the Company shall allot and issue Subscription Shares under the Subscription Agreement II to Mr. Hu (or to such person(s) as Mr. Hu may direct) and procure that Mr. Hu and/or its nominee(s) be registered as member(s) on the share register of the Company in respect of the Subscription Shares under the Subscription Agreement II.

For avoidance of doubt, SAII Completion is not inter-conditional with SAI Completion.

The Subscription Shares and Subscription Price

The 142,500,000 Subscription Shares under the Subscription Agreement I represent: (i) approximately 32.23% of the Shares in issue as at the Latest Practicable Date; and (ii) approximately 24.37% of the Shares in issue as enlarged by the Subscription Shares under the Subscription Agreement I (assuming that there will be no change in the Shares in issue from the Latest Practicable Date to the SAI Completion save for the issue of the Subscription Shares under the Subscription Agreement I). The Subscription Shares under the Subscription Agreement I have a nominal value of HK\$71,250,000.

The 62,500,000 Subscription Shares under the Subscription Agreement II represent: (i) approximately 14.13% of the Shares in issue as at the Latest Practicable Date; and (ii) approximately 12.38% of the Shares in issue as enlarged by the Subscription Shares under the Subscription Agreement II (assuming that there will be no change in the Shares in issue from the Latest Practicable Date to the SAII Completion save for the issue of the Subscription Shares under the Subscription Agreement II). The Subscription Shares under the Subscription Agreement II have a nominal value of HK\$31,250,000.

The total of 205,000,000 Subscription Shares represent: (i) approximately 46.36% of the Shares in issue as at the Latest Practicable Date; and (ii) approximately 31.67% of the Shares in issue as enlarged by the total Subscription Shares (assuming that there will be no change in the Shares in issue from the Latest Practicable Date to the SAI Completion and the SAII Completion save for the issue of the total Subscription Shares). The total Subscription Shares have a nominal value of HK\$102,500,000.

LETTER FROM THE BOARD

The Subscription Price of HK\$1.60 per Subscription Share represents:

- (i) a discount of approximately 4.76% to the closing price per Share of HK\$1.68 as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 5.26% over the closing price per Share of HK\$1.52 as quoted on the Stock Exchange on 17 August 2021, being the date of the Subscription Agreements;
- (iii) a premium of approximately 1.91% over the average closing price per Share of HK\$1.57 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreements;
- (iv) a discount of approximately 2.44% to the average closing price per Share of HK\$1.64 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Subscription Agreements; and
- (v) a premium of approximately 272.09% over the audited consolidated net asset value per Share of approximately HK\$0.43 per Share as at 31 March 2021, calculated based on the Group's audited consolidated net assets of HK\$189,128,000 as at 31 March 2021 and 442,198,595 Shares in issue as at the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations among the Company, Total Idea and Mr. Hu taking into account, among others, (i) the prevailing market price of the Shares; and (ii) the financial position of the Group.

Specific Mandates

The Subscription Shares under the Subscription Agreement I and the Subscription Agreement II will be allotted and issued under the Specific Mandate I and the Specific Mandate II respectively, which will be proposed for passing by the Independent Shareholders at the SGM.

The Subscription Shares shall rank *pari passu* in all respects with the then existing issued Shares as at the SAI Completion and the SAII Completion and shall be allotted and issued free from all encumbrances and together with all rights attaching or accruing thereto including all dividends and distributions declared, made or paid on or after the completion date.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS

The Company is incorporated in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the development, sale and leasing of properties in the PRC. In addition to its core real estate business, the Group is also involved in the hotel, property management, renovation and decoration industries to create a diversified income source for the Group.

LETTER FROM THE BOARD

References are made to the Company's announcements dated 12 April 2016, 19 May 2016, 15 July 2016, 28 July 2016, 14 September 2016, 27 September 2016, 24 October 2016, 15 December 2017, 5 December 2018, 26 September 2019 and 4 September 2020 and the circular dated 16 June 2016. 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 interests in Gloryyear Investments Limited (with corresponding sale loan). The promissory notes were unsecured, carried a fixed interest rate of 8% per annum and would be matured on 28 July 2019. During the year ended 31 March 2017, the Company early redeemed part of the promissory notes with principal amount of HK\$390,000,000.

On 15 December 2017, the Promissory Notes with aggregate principal amount of HK\$778,000,000 were transferred to Total Idea. On 5 December 2018, the maturity date of the Promissory Notes was extended from 28 July 2019 to 28 July 2020. On 26 September 2019, the maturity date of the Promissory Notes was further extended from 28 July 2020 to 28 July 2021. On 4 September 2020, the maturity date of the Promissory Notes was further extended from 28 July 2021 to 28 July 2022.

As at the Latest Practicable Date, the aggregate outstanding principal amount of the Promissory Notes is HK\$778,000,000.

In addition, with reference to the Company's annual report for the year ended 31 March 2021, on 7 January 2019, an unsecured revolving loan facility of HK\$100,000,000 had been granted from Mr. Hu to Faithful Goal, which carried a fixed interest rate of 8% per annum, with maturity date on 6 July 2021. On 4 September 2020, the maturity date of the above-mentioned loan facility was extended from 6 July 2021 to 6 July 2022.

The Loan was drawn down and applied for the Group's operational and professional expenses and repayment of third party loan. As at the Latest Practicable Date, the Loan in the principal sum of HK\$100,000,000 was outstanding.

As at 31 March 2021, the Group's cash and cash equivalents only amounted to approximately HK\$154 million. The Directors consider that the Subscriptions will allow the Company to settle the Indebted Amount, without utilising existing financial resources of the Company while reducing the gearing level and finance cost of the Group and hence strengthen the financial position of the Group. Although the maturity dates of the Promissory Notes and the Loan are 28 July 2022 and 6 July 2022 respectively, the Indebted Amount carries interest rate of 8% per annum. Early settlement of the Indebted Amount can effectively reduce the Group's finance cost.

Before entering into the Subscription Agreements, the Group also explored other equity fund-raising alternatives such as placing of new shares to independent third parties and conducting rights issue or open offer. Nevertheless, given the then prevailing Share prices performance and the continuous loss-making position of the Group, the Company found it difficult to procure placing agent for share placement or underwriter for rights issue/open offer. Prior to entering of the Subscription Agreements, the Company approached two securities firms for acting as placing agent for possible share placement to independent third parties or underwriter for possible rights issue/open offer, but did not receive positive response from both of them.

LETTER FROM THE BOARD

In view of the above, the Directors (excluding Mr. Hu who abstained from voting on the Board resolutions approving the Subscription Agreements and the Specific Mandates) consider that the terms of the Subscription Agreements (including the Subscription Price) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Subject to the then financial and operating performance of the Group and financing alternatives available to the Group, the Company will consider to repay the outstanding Promissory Notes by internal resources, equity financing and/or debt financing; or seek for further extension when the outstanding Promissory Notes fall due.

USE OF PROCEEDS

As the aggregated Subscription Price for the Subscription Shares under the Subscription Agreements will be satisfied by setting off the Indebted Amount, there will be no cash proceeds from the Subscriptions.

The related professional fees and all related expenses of about HK\$0.78 million will be borne by the Company. The net Subscription Price (calculated as the aggregated Subscription Price under the Subscription Agreements (after deducting related professional fees and all related expenses) divided by the number of Subscription Shares) is approximately HK\$1.5962 per Subscription Share.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

CHANGES TO THE SHAREHOLDING AS A RESULT OF THE SUBSCRIPTIONS

As at the Latest Practicable Date, the Company has 442,198,595 Shares in issue. Set out below is a table showing the shareholding structure of the Group (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Subscription I; (iii) immediately upon completion of the Subscription II; and (iv) immediately upon the Completions.

| Name of Shareholder | At the Latest Practicable Date | | Immediately upon completion of the Subscription I | | Immediately upon completion of the Subscription II | | Immediately upon the Completions | |
|---------------------------------------|--------------------------------|-------------------|---|-------------------|--|-------------------|----------------------------------|-------------------|
| | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares | % |
| Mr. Hu and his associates: | | | | | | | | |
| China DaDi | 272,327,671 | 61.58 | 272,327,671 | 46.58 | 272,327,671 | 53.96 | 272,327,671 | 42.07 |
| Total Idea | - | - | 142,500,000 | 24.37 | - | - | 142,500,000 | 22.02 |
| Mr. Hu | - | - | - | - | 62,500,000 | 12.38 | 62,500,000 | 9.66 |
| Subtotal of Mr. Hu and his associates | <u>272,327,671</u> | <u>61.58</u> | <u>414,827,671</u> | <u>70.95</u> | <u>334,827,671</u> | <u>66.34</u> | <u>477,327,671</u> | <u>73.75</u> |
| Public Shareholders | <u>169,870,924</u> | <u>38.42</u> | <u>169,870,924</u> | <u>29.05</u> | <u>169,870,924</u> | <u>33.66</u> | <u>169,870,924</u> | <u>26.25</u> |
| Total | <u><u>442,198,595</u></u> | <u><u>100</u></u> | <u><u>584,698,595</u></u> | <u><u>100</u></u> | <u><u>504,698,595</u></u> | <u><u>100</u></u> | <u><u>647,198,595</u></u> | <u><u>100</u></u> |

IMPLICATIONS OF THE LISTING RULES

As at the Latest Practicable Date, China DaDi (a company wholly-owned by Mr. Hu), is interested in 272,327,671 Shares, representing approximately 61.58% of the entire issued share capital of the Company. Since Mr. Hu is the ultimate controlling Shareholder, the chairman and an executive Director of the Company, and Total Idea is wholly-owned by Mr. Hu, each of Mr. Hu and Total Idea is a connected person of the Company. Accordingly, the Subscriptions constitute connected transactions for the Company, and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Subscriptions and the Specific Mandates. BaoQiao Partners Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

SGM

The SGM will be convened by the Company at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Tuesday, 5 October 2021 at 5:00 p.m. for the purposes of considering, and if thought fit, approving the Subscriptions and the Specific Mandates.

Mr. Hu, the ultimate controlling Shareholder, the chairman and an executive Director of the Company who has a material interest in the Subscriptions and the Specific Mandates, has abstained from voting on the Board resolutions approving the Subscriptions and the Specific Mandates. Save as disclosed above, none of the Directors has a material interest in the Subscriptions and the Specific Mandates and was required to abstain from voting on the relevant Board resolutions approving the Subscriptions and the Specific Mandates.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the Subscription Agreements and the transactions contemplated thereunder is required to abstain from voting on the relevant resolutions at the SGM.

Mr. Hu and his associates (including China DaDi) will abstain from voting on the proposed resolutions to approve the Subscriptions and the Specific Mandates at the SGM. Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Subscriptions and the Specific Mandates, and is required to abstain from voting on the resolutions to approve the aforesaid matters at the SGM.

The notice of SGM is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use at the SGM is enclosed herewith. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the SGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the SGM in person.

RECOMMENDATION

The Directors consider that (i) the Subscriptions and the Specific Mandates are on normal commercial terms and are fair and reasonable; and (ii) although the Subscriptions and the Specific Mandates are not conducted in the ordinary and usual course of business of the Group, the Subscriptions and the Specific Mandates are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed to approve the Subscriptions and the Specific Mandates at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the additional information contained in the appendix to this circular.

SAI Completion and SAII Completion are subject to the fulfillment of the respective conditions under the Subscription Agreement I and the Subscription Agreement II. Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the Shares.

Yours faithfully,
By Order of the Board
Man Sang International Limited
Hu Xingrong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Man Sang International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATES

16 September 2021

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular issued by the Company to the Shareholders dated 16 September 2021 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you as to whether the Subscriptions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

BaoQiao Partners Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect thereof. We wish to draw your attention to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” set out in the Circular.

Having considered the Subscriptions, and the principal factors and reasons considered by, and the advice of the Independent Financial Adviser set out in its letter of advice, we consider that (i) the Subscriptions are on normal commercial terms and are fair and reasonable; and (ii) although the Subscriptions are not conducted in the ordinary and usual course of business of the Group, the Subscriptions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Subscriptions and the Specific Mandates, at the SGM.

Yours faithfully,

For and on behalf of

the Independent Board Committee of
Man Sang International Limited

Ms. Pau Yee Ling

Mr. Wong Kwan Kit

Mr. Yuen Hoi Po

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



BAOQIAO PARTNERS CAPITAL LIMITED

Unit 2803-2805, 28/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

16 September 2021

*To the Independent Board Committee and the Independent Shareholders of
Man Sang International Limited*

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTIONS OF NEW SHARES UNDER SPECIFIC MANDATES

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 16 September 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 17 August 2021 (the “**Announcement**”) in relation to, among others, the Subscriptions.

On 17 August 2021, the Company, as issuer, entered into the Subscription Agreement I with Total Idea, as subscriber, pursuant to which Total Idea conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 142,500,000 Subscription Shares at the Subscription Price of HK\$1.60 per Subscription Share.

On the even day, the Company, as issuer, Faithful Goal, an indirect wholly-owned subsidiary of the Company and Mr. Hu, as subscriber, entered into the Subscription Agreement II, pursuant to which Mr. Hu conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 62,500,000 Subscription Shares at the Subscription Price of HK\$1.60 per Subscription Share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, China DaDi (a company wholly-owned by Mr. Hu), is interested in 272,327,671 Shares, representing approximately 61.58% of the entire issued share capital of the Company. Since Mr. Hu is the ultimate controlling Shareholder, the chairman and an executive Director of the Company, each of Mr. Hu and Total Idea, a company wholly-owned by Mr. Hu, is a connected person of the Company. Accordingly, the Subscriptions constitute connected transactions for the Company, and are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Subscription Shares will be allotted and issued under the Specific Mandates to be obtained at the SGM, the grant of the Specific Mandates for the allotment and issue of the Subscription Shares is subject to the Independent Shareholders' approval at the SGM.

As disclosed in the Letter from the Board, Mr. Hu, who has a material interest in the Subscriptions and the Specific Mandates, has abstained from voting on the Board resolutions approving the Subscriptions and the Specific Mandates. Save as disclosed above, none of the Directors has a material interest in the Subscriptions and the Specific Mandates and was required to abstain from voting on the relevant Board resolutions approving the Subscriptions and the Specific Mandates.

Mr. Hu and his associates (including China DaDi) will abstain from voting on the proposed resolutions to approve the Subscriptions and the Specific Mandates at the SGM. Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Subscriptions and the Specific Mandates, and is required to abstain from voting on the resolutions to approve the aforesaid matters at the SGM.

The Independent Board Committee comprising Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Subscriptions and the Specific Mandates. We, BaoQiao Partners Capital Limited, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, we have not acted in any capacity in relation to any transactions of the Company. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Group, Mr. Hu, Total Idea and their respective associates that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Announcement, the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (collectively, the “**Management**”). We have reviewed, among others, the Subscription Agreements, the annual reports of the Company for the years ended 31 March 2021 (the “**2021 Annual Report**”) and 31 March 2020, certain corporate and financial information of the Group, and the information set out in the Announcement and the Circular. We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and representations made by the Management in the Circular and/or discussed with/provided to us were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Management, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group, the Subscribers and their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscriptions. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the facts, information, representations and opinions made available to us, at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of approving the Subscriptions (together with the Specific Mandates), and this letter, except for its inclusion in the Circular and for inspection as required under the Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Subscriptions, we have taken into consideration the following factors and reasons:

1. Background Information of the Group

The Company is incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the development, sales and leasing of properties in the PRC, and has recently expanded its business to include the provision of property management, decoration, renovation and construction services upon the Group's acquisition of new subsidiaries in 2020.

2. Financial Information of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 March 2020 (“FY2020”) and 31 March 2021 (“FY2021”) as extracted from the 2021 Annual Report:

| | For the year ended | |
|--------------------------------|--------------------|-------------|
| | 31 March | |
| | 2021 | 2020 |
| | (audited) | (audited) |
| | HK\$'000 | HK\$'000 |
| Revenue | 158,729 | 135,838 |
| – Chongqing property | 62,053 | 109,680 |
| – Property management services | 26,249 | 15,173 |
| – Renovation and decoration | 62,394 | – |
| – Hotel operation in Japan | 8,033 | 10,985 |
| Loss for the year | (520,109) | (202,914) |
| | | |
| | As at 31 March | |
| | 2021 | 2020 |
| | (audited) | (audited) |
| | HK\$'000 | HK\$'000 |
| Total assets | 3,502,799 | 4,684,782 |
| Total liabilities | (3,313,671) | (4,287,978) |
| Net assets | 189,128 | 396,804 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

FY2021 vs FY2020

The Group's revenue increased by 16.9% from approximately HK\$135.8 million for FY2020 to approximately HK\$158.7 million for FY2021. The increase was mainly attributable to the combined reasons of (i) the decrease in income from property sales and leasing of Chongqing Property, which comprises residential apartments, serviced apartments and a shopping mall in Chongqing, the PRC, from approximately HK\$109.7 million in FY2020 to approximately HK\$62.0 million in FY2021, resulting from the impact of the COVID-19 pandemic environment; and (ii) the increase in revenue from property management business and renovation and decoration business, from approximately HK\$15.2 million in FY2020 to approximately HK\$88.6 million in FY2021, which were acquired by the Group in March 2020 and June 2020, respectively.

While the Group recorded an increase in revenue of approximately HK\$22.9 million in FY2021, the Group recorded loss for the year of approximately HK\$520.1 million in FY2021, representing an increase of approximately 156.3% from the loss for the year of approximately HK\$202.9 million in FY2020. As disclosed in 2021 Annual Report, the operation of Chongqing Property segment was adversely affected by outbreak of the COVID-19 pandemic since January 2020. The offering of special discounts for selling residential apartments and the less satisfactory result of the leasing operations of the serviced apartment resulted in (i) the reported gross loss of HK\$24.3 million for FY2021 as compared to gross profit of HK\$56.4 million in FY2020; and (ii) the recognition of an impairment loss of approximately HK\$150.0 million on property, plant and equipment and HK\$52.1 million on right-of-use asset in respect of the leasing operations of Chongqing serviced apartments. In addition, the Group reported an increase in finance cost from approximately HK\$98.3 million for FY2020 to approximately HK\$154.4 million in FY2021 as less finance cost was capitalised in FY2021 following completion of the redevelopment project of Chongqing Property in December 2020. All of the above explains the increase in the Group's net loss from FY2020 to FY2021.

The Group's net assets amounted to approximately HK\$189.1 million at 31 March 2021, which decreased significantly from approximately HK\$396.8 million as at 31 March 2020. The Group's deterioration in financial position was mainly due to its recorded loss for the year of approximately HK\$520.1 million during FY2021.

As at 31 March 2021, cash and bank balances decreased from approximately HK\$1,381.5 million as at 31 March 2020 to approximately HK\$153.8 million as at 31 March 2021, mainly due to the net decrease in bank and other borrowings and unsecured borrowings from a director of approximately HK\$1,026.7 million during FY2021 resulting from the repayment of such borrowings during the year. The Group's gearing ratios (calculated on the basis of the Group's total borrowings over total equity) were high at both 31 March 2020 and 2021 and it jumped sharply from approximately 9.76× as at 31 March 2020 to approximately 15.38× as at 31 March 2021. This significant increase was mainly attributable to the fact that the Group's total equity decreased drastically as a result of its recorded losses during FY2021 as mentioned above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Information of Total Idea and Mr. Hu

Total Idea is an investment holding company incorporated under the laws of British Virgin Islands and it is a company indirectly wholly-owned by Mr. Hu, the ultimate controlling Shareholder, the chairman and an executive Director of the Company.

4. Information of the Indebted Amount

Mr. Hu has provided financings to the Group from time to time as a support to the Group's business and daily operation. As at the Latest Practicable Date, the total amount due from the Group to Mr. Hu and its related companies amounted to HK\$1.48 billion, of which approximately HK\$1.19 billion are offshore borrowings (the "Offshore Loans") and HK\$0.29 billion are borrowings in the PRC.

The Indebted Amount (i.e. HK\$328,000,000), being part of the Offshore Loans and represents the aggregate of (i) the Set-off PN of HK\$228,000,000, being part of Promissory Notes which are unsecured and carry interest of 8% per annum, to be matured on 28 July 2022; and (ii) the Loan, an unsecured revolving loan granted by Mr. Hu to Faithful Goal (a wholly-owned subsidiary of the Company) for working capital purpose in the principal sum of HK\$100,000,000 and carries a fixed interest of 8% per annum with an original maturity on 6 July 2021 and subsequently extended to 6 July 2022, to be set-off by Subscription I and Subscription II respectively.

As disclosed in the Letter from the Board and based on our discussion with the Management, the Promissory Notes were issued by the Company to certain Independent Third Parties in relation to the acquisition of Gloryyear investments Limited by the Company in 2016. Such Promissory Notes (net of the principal amount of HK\$390,000,000 early redeemed by the Company during the financial year ended 31 March 2017) in the principal amount of HK\$778,000,000 were transferred to Total Idea in December 2017. The maturity date of the Promissory Notes is 28 July 2022, which has been extended annually since 28 July 2019. Subject to the then financial operating performance of the Group and the financing alternatives available to the Group, the Company will consider to repay the outstanding Promissory Notes by internal resources, equity financing and /or debt financing; or seek for further extension when the outstanding Promissory Notes fall due.

As further disclosed in the Letter from the Board, the Loan was drawn down and applied for the Group's operational and professional expenses and repayment of a third party loan.

5. Reasons for and benefits of the Subscriptions

As stated in the Letter from the Board, the aggregated Subscription Price for the Subscription Shares under the Subscription Agreements will be satisfied by setting off the Indebted Amount, there will be no cash proceeds from the Subscriptions. The Directors are of the view that the Subscriptions will allow the Company to settle the Indebted Amount without utilising existing financial resources of the Group while reducing the gearing level of the Group and finance cost of the Group and hence strengthen the financial position of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed in the paragraph headed “2. Financial Information of the Group” in this letter, the Group’s financial performance continued to deteriorate and recorded losses of approximately HK\$202.9 million and HK\$520.1 million for FY2020 and FY2021, respectively. Moreover, the Group recorded significant increase in gearing ratio (calculated on the basis of the Group’s total borrowings over equity attributable to Shareholders) to 15.38× as at 31 March 2021 due to continuing losses of the Group and its interests paid on financing activities amounted to approximately HK\$115.5 million and approximately HK\$107.7 million, representing approximately 85.0% and 67.8% of total revenue of the Group for FY2020 and FY2021 respectively. As at 31 March 2021, the net current assets and net assets of the Group were approximately HK\$278.9 million and HK\$189.1 million respectively and the Group had total borrowings (including the Indebted Amount), comprising bank borrowings, promissory notes and other borrowings of HK\$2,908.7 million. In addition, the Group’s principal activities are conducted in the PRC and its earnings are denominated in RMB and subject to foreign exchange control.

Pursuant to the relevant loan agreements and documents of the Loan and Set-off PN, the maturity dates of Indebted Amounts (both carry interest at 8% per annum) have been extended from July 2021 to July 2022. Based on the existing financial position and business operations of the Group and taking into account the size of the Indebted Amount (approximately HK\$328 million), we believe that the offshore Indebted Amount is unlikely to be settled in maturity in the absence of the Subscriptions or other fundraising exercise. In addition, as disclosed in the Letter from the Board, although the maturity dates of the Promissory Notes and the Loan are 28 July 2022 and 6 July 2022 respectively, the Indebted Amount carries interest of 8% per annum. Early settlement of the Indebted amount can effectively reduce the Group’s finance cost. Based on the above and our discussion with the Management, we concur with the Directors’ view that the Subscriptions would allow the Group to ease part of its debt (including financing costs) burden and improve the financial position immediately without affecting the working capital of the Group and without incurring any interest expenses to the Group.

Alternative fund-raising methods considered

The Directors has considered other alternative means for raising fund to settle the Indebted Amount, such as bank borrowings, share placement, rights issue or open offer.

Given the high gearing ratio with the existing borrowings of the Group and having considered that additional debt financings (i) could not improve the gearing ratio of the Group; (ii) could not ease the interest burden of the Group; (iii) may require pledge of assets of the Group; and (iv) would incur future repayment obligations of the Group, the Directors considered that debt financings might not be an appropriate alternative to settle the Indebted Amount.

In addition to debt financing, the Board also considered other means of equity financing such as share placement, rights issue or open offer.

Given the consecutive losses position of the Group and thin trading volume of the Shares as analysed in the paragraph headed “2. Financial Information of the Group” and “Recent price performance and trading liquidity of the Shares” in this letter respectively, the Directors considered that the Company might find it difficult to identify (i) third-party investor(s) who/which is/are willing to subscribe the Shares at premium over recent market price of the Shares; or (ii) underwriter(s) who/which is/are interested to underwrite a rights issue or open offer with a fundraising size and issue price comparable to the Subscription Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In contrast to the general market practice of providing discount to recent market prices for share placement, rights issue and open offer exercises in order to enhance the attractiveness to the potential investors/shareholders, the Subscription Price of HK\$1.6 per Subscription Share represents a premium of approximately 5.26% over the closing price of HK\$1.52 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements.

Also, a share placement, rights issue or open offer would result in less favourable terms to the Company than the Subscriptions that such placing/underwriting commission would likely exceed the cost under the Subscriptions without taking into account of further necessary professional fees.

Having considered that (i) the Subscriptions would allow the Company to ease the repayment pressure and lower the level of its gearing ratio and interest expenses of the Group; (ii) other equity financings may require attractive discount to the current market price of the Shares and are relatively less cost effective as compared to the Subscriptions; and (iii) additional debt financings could not improve the gearing ratio of the Group nor ease the interest burden of the Group, we concur with the Directors' view that the Subscriptions are more desirable solution for the Group to settle the Indebted Amount in order to improve the Group's financial position and therefore being in the interests of the Company and the Independent Shareholders as a whole, although it is not conducted in the ordinary and usual course of business of the Group.

6. Principal terms of the Subscription Agreements

On 17 August 2021, the Company, as issuer, and Total Idea, as subscriber entered into the Subscription Agreement I, pursuant to which the Company has conditionally agreed to allot and issue the Subscription Shares I to Total Idea, or any nominees as it may direct at the Subscription Price of HK\$1.60 per Share in consideration of the cancellation by way of setting-off against the Set-off PN of HK\$228 million.

On the same day, the Company, as issuer, Faithful Goal (an indirect wholly-owned subsidiary of the Company) and Mr. Hu, as subscriber entered into the Subscription Agreement II, pursuant to which the Company has conditionally agreed to allot and issue the Subscription Shares II to Mr. Hu, or any nominees as he may direct at the Subscription Price of HK\$1.60 per Share in consideration of the cancellation by way of setting-off against the Loan of HK\$100 million.

The principal terms of the Subscription Agreement I and Subscription Agreement II are the same, save and except for the following respects:

1. the identity of the subscribers; and
2. the underlying promissory notes/loans and the number of Subscription Shares.

Please refer to the "Letter from the Board" set out in the Circular for further details of the Subscription Agreements and the full list condition precedents to the Subscription Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A summary of the terms of the Subscription Agreements is as follows:

| Subscription Agreements | Subscribers | Indebted amounts to be set-off | Subscription Price (HK\$) | Number of Subscription Shares |
|--------------------------------|--------------------|---------------------------------------|----------------------------------|--------------------------------------|
| Subscription Agreement I | Total Idea | Set-off PN (HK\$228 million) | 1.6 | 142,500,000 |
| Subscription Agreement II | Mr. Hu | The Loan (HK\$100 million) | 1.6 | 62,500,000 |

The Subscription Shares will be allotted and issued under the Specific Mandates proposed to be sought from the Independent Shareholders at the SGM and the Subscription Shares when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of their allotment and issue.

For avoidance of doubt, SAI Completion and SAII Completion are not inter-conditional.

The Subscription Shares and Subscription Price

Subscription Shares

As disclosed in the Letter from the Board,

- (a) The 142,500,000 Subscription Shares under the Subscription Agreement I represent: (i) approximately 32.23% of the Shares in issue as at the Latest Practicable Date; and (ii) approximately 24.37% of the Shares in issue as enlarged by the Subscription Shares under the Subscription Agreement I (assuming that there will be no change in the Shares in issue from the Latest Practicable Date to the SAI Completion save for the issue of the Subscription Shares under the Subscription Agreement I).
- (b) The 62,500,000 Subscription Shares under the Subscription Agreement II represent: (i) approximately 14.13% of the Shares in issue as at the Latest Practicable Date; and (ii) approximately 12.38% of the Shares in issue as enlarged by the Subscription Shares under the Subscription Agreement II (assuming that there will be no change in the Shares in issue from the Latest Practicable Date to the SAII Completion save for the issue of the Subscription Shares under the Subscription Agreement II).
- (c) The total of 205,000,000 Subscription Shares represent: (i) approximately 46.36% of the Shares in issue as at the Latest Practicable Date; and (ii) approximately 31.67% of the Shares in issue as enlarged by the total Subscription Shares (assuming that there will be no change in the Shares in issue from the Latest Practicable Date to the SAI Completion and the SAII Completion save for the issue of the total Subscription Shares).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subscription Price

The Subscription Price of HK\$1.60 per Subscription Share represents:

- (i) a discount of approximately 4.76% to the closing price per Share of HK\$1.68 as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 5.26% over the closing price per Share of HK\$1.52 as quoted on the Stock Exchange on 17 August 2021, being the date of the Subscription Agreements;
- (iii) a premium of approximately 1.91% over the average closing price per Share of HK\$1.57 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreements;
- (iv) a discount of approximately 2.44% to the average closing price per Share of HK\$1.64 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Subscription Agreements; and
- (v) a premium of approximately 272.09% over the audited consolidated net assets value per Share of approximately HK\$0.43 per Share as at 31 March 2021, calculated based on the Group's audited consolidated net assets of HK\$189,128,000 as at 31 March 2021 and 442,198,595 Shares in issue as at the Latest Practicable Date.

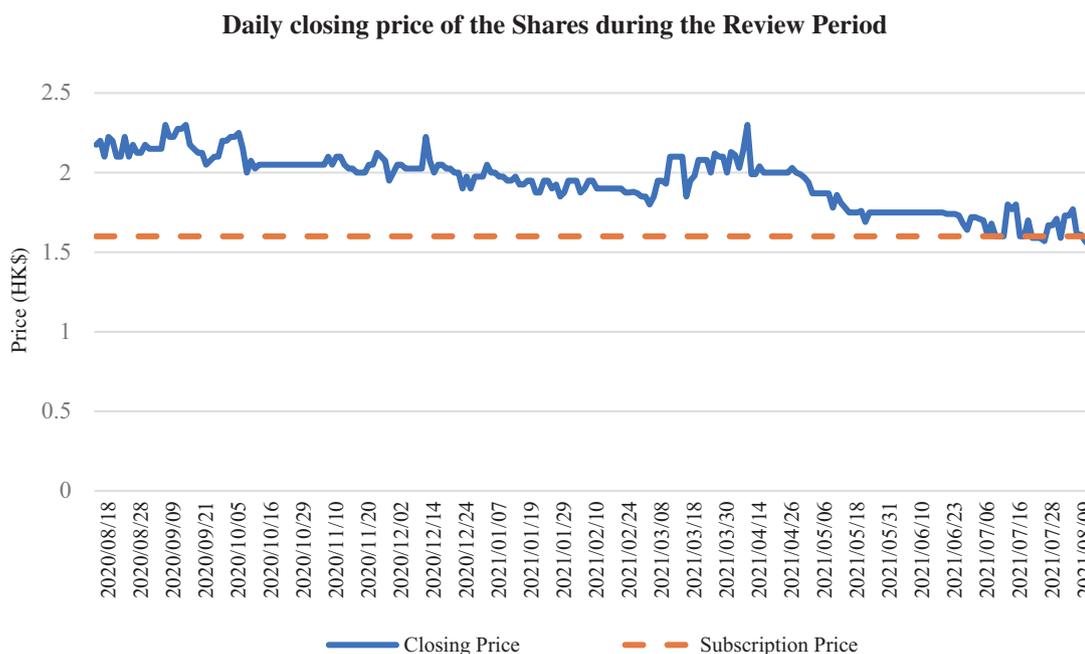
As stated in the Letter from the Board, the Subscription Price was determined after arm's length negotiations among the Company, Total Idea and Mr. Hu taking into account, among others, (i) the prevailing market price of the Shares; and (ii) the financial position of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess the fairness and reasonableness of the Subscription Price, we compared with reference to (i) the recent price performance and trading liquidity of the Shares; and (ii) the market comparables analysis, as follows:

Recent price performance and trading liquidity of the Shares

We have reviewed the closing prices and the trading liquidity of the Shares during the twelve-month period from 18 August 2020, up to and including 17 August 2021, being the date of the Subscription Agreements, (the “**Review Period**”). We consider that a period of twelve months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Subscription Price.



Note: The Company has completed a share consolidation (the “**Share Consolidation**”), on the basis that every five (5) issued and unissued original shares of HK\$0.10 each be consolidated into one (1) consolidated Share of HK\$0.50, effective on 2 March 2021. The Share prices before the Share Consolidation as shown above have been adjusted to reflect the effect of the Share Consolidation for easier comparison.

Source: The Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Monthly trading volume of Shares during the Review Period

| | Total volume of the Shares traded | Number of trading days | Average Daily Volume of Shares | Number of issued Shares as at end of the period/month <i>(Note 2)</i> | Approximate % of average daily trading volume to the then total number of issued Shares as at end of the period/month |
|------------------------|--|---------------------------|---|--|---|
| 2020 | | | | | |
| August <i>(Note 1)</i> | 98,000 | 10 | 9,800 | 409,455,171 | 0.00239% |
| September | 306,200 | 22 | 13,918 | 409,455,171 | 0.00340% |
| October | 407,600 | 18 | 22,644 | 442,198,595 | 0.00512% |
| November | 407,600 | 21 | 19,409 | 442,198,595 | 0.00439% |
| December | 350,652 | 22 | 15,938 | 442,198,595 | 0.00360% |
| 2021 | | | | | |
| January | 256,800 | 20 | 12,840 | 442,198,595 | 0.00290% |
| February | 396,476 | 18 | 22,026 | 442,198,595 | 0.00498% |
| March | 336,929 | 23 | 14,649 | 442,198,595 | 0.00331% |
| April | 523,600 | 19 | 27,557 | 442,198,595 | 0.00623% |
| May | 769,161 | 20 | 38,458 | 442,198,595 | 0.00870% |
| June | 379,600 | 21 | 18,076 | 442,198,595 | 0.00409% |
| July | 501,600 | 21 | 23,885 | 442,198,595 | 0.00540% |
| August <i>(Note 1)</i> | 266,000 | 12 | 22,167 | 442,198,595 | 0.00501% |

Source: The Stock Exchange

Notes:

1. The Review Period commenced on 18 August 2020 and ended on 17 August 2021.
2. Based on the total number of issued Shares as at end of the period/month. The number of issued Shares as at end of the period/month is adjusted to reflect the effect of the Share Consolidation for easier comparison.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the chart of daily closing price above, at the beginning of the Review Period, the initial closing price of the Shares had been relatively stable and reached its peak at HK\$2.30 per Share (being the highest closing price during the Review Period) on both 10 September 2020 and 17 September 2020. Since then, the daily closing price of the Shares was within the range of HK\$1.80 per Share to HK\$2.30 per Share up to and including 14 April 2021. After the closing price of the Shares reached the highest on 14 April 2021, the Share prices started to decline and demonstrate a general downward trend and reached the bottom of HK\$1.52 per Share on 17 August 2021. The average closing price of Shares within the Review Period was approximately HK\$1.94 per Share.

Although the Subscription Price represents a discount of approximately 17.5% to the average closing price of Shares within the Review Period, we noted that the Subscription Price (i) is within the range of daily closing price of the Shares during the Review Period; (ii) represents a premium of approximately 1.91% to the average closing price of approximately HK\$1.57 per Share for the last five consecutive trading days preceding the date of the Subscription Agreements; (iii) represents a premium of approximately 5.26% to closing price per Share of HK\$1.52 as quoted on the Stock Exchange on the date of the Subscription Agreements; and (iv) represents a slight discount of approximately 3.21% to the average closing price of approximately HK\$1.653 per Share since 29 June 2021, being the publication date of the Group's annual results announcement for FY2021 and up to the date of the Subscription Agreements, which may better reflect the Group's closing price per Share with the continuing loss position of the Group (further details of the Group's financial performance for FY2020 and FY2021 were set out under paragraph headed "2. Financial Position of the Group" in this letter).

Regarding the liquidity of the Shares, as shown in the table above, the highest average daily volume was approximately 38,458 Shares in May 2021, representing approximately 0.00870% of the total number of Shares at the end of May 2021. We also notice that the average daily trading liquidity of the Shares were very thin during the Review Period, with all months less than 1% to the then total number of issued Shares as at the end of their respective period/month. As such, the relatively low trading volume suggests that it would be difficult for the Company to pursue sizeable equity financing alternatives in the stock market without providing considerable discount and/or underwriting fees as an incentive. In view of the above, we concur with the Directors' view that the Subscriptions is a more attractive method for financing the settlement of the Indebted Amount, and is therefore in the interests of the Company and the Independent Shareholders as a whole.

Comparison with recent connected subscription transactions

To further assess the fairness and reasonableness of the Subscriptions, we have selected and identified a list of comparable transactions based on the following criteria: (i) companies listed on the Stock Exchange and the Shares of which have not been suspended for three months or more (i.e. prolonged suspension) as at the date of the Subscription Agreements; and (ii) companies that had published announcements in relation to subscription of new shares by connected persons under specific mandate (excluding issues under share award or restructuring scheme) with the proceeds (fully or partially) used for the repayment of loans (the "**Comparables**") during the period from 18 February 2021 to 17 August 2021 (the "**Comparable Period**"), being six months prior to entering into the Subscription Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Independent Shareholders should note that the principal activities, market capitalisation, profitability and financial position of the companies under the Comparables may not be the same as, or may even substantially vary from, that of the Company, and we have not conducted any detailed investigation into the respective businesses, operations, financial positions and prospects of the companies under the Comparables.

In this regard, we have identified four Comparables in total during the Comparable Period (excluding the outliers as disclosed in Note 4 to the below table). We are of the view that the Comparable Period adequately covered the prevailing market conditions and sentiments of the capital market in Hong Kong and the number of the Comparables identified may provide general reference of the recent common market practice of listed companies in Hong Kong for the relevant transactions. As such, we consider the Comparables are fair and representative samples for comparison purpose, which represent a full and exhaustive list of relevant comparable issues of shares based on the stated criteria, and are sufficient for assessing the fairness and reasonableness of the Subscription Price.

Our relevant findings are summarised in the table below:

| Date of initial announcement | Company | Stock code | Premium/ | Premium/ | Number of new shares to be issued as a percentage of existing issued share capital of the company before the corresponding subscription | Number of new shares to be issued as a percentage of the total issued share capital of the company as enlarged by the issue of new shares | Dilution effect to existing public shareholders |
|------------------------------|--|----------------|--|---|---|---|---|
| | | | (Discount) of subscription price over/to the average closing price per share for the last five consecutive trading days prior to the date of the corresponding agreement | (Discount) of subscription price over/to the closing price on the last trading day prior to the date of the corresponding agreement | | | |
| | | | Approximate % | Approximate % | Approximate % | Approximate % | Approximate % |
| 31/05/2021 (Note 2) | Hong Kong Resources Holdings Company Limited | 2882 | (15.25)% | (15.25)% | 74.35% | 42.64% | -22.13% |
| 7/4/2021 | Qidian International Co., Ltd | 1280 | 0.00% | 3.80% | 20.00% | 16.67% | -10.23% |
| 18/03/2021 | Greatwalle Inc. | 8315 | (6.78)% | (5.50)% | 74.95% | 42.84% | -19.07% |
| 8/3/2021 (Note 2) | Carrianna Group Holdings Company Limited | 126 | (10.00)% | (12.45)% | 25.00% | 20.00% | -10.06% |
| | | Min | (15.25)% | (15.25)% | 20.00% | 16.67% | -22.13% |
| | | Max | 0.00% | 3.80% | 74.95% | 42.84% | -10.06% |
| | | Average | (8.01)% | (7.35)% | 48.57% | 30.54% | -15.37% |
| | | Median | (8.39)% | (8.98)% | 49.68% | 31.32% | -14.65% |
| 17/08/2021 | The Company | | 5.26% | 1.91% | 46.36% | 31.67% | -12.17% |

Source: The Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note 1 The premium/discount is extracted from the relevant published announcements of the companies for the Comparables.

Note 2 The respective information of both Hong Kong Resources Holdings Company Limited (2882.hk) and Carrianna Group Holdings Company Limited (126.hk) represent transactions involving both subscription and/or placing of new shares by connected persons and by/to (as the case may be) independent third parties under the same issue price announced by the relevant companies in their respective announcements.

Both companies also announced placing/subscription of convertible bonds in the relevant announcements, which we have excluded from the above analysis as we consider that it is outside the scope of our selection criteria for the Comparables.

Note 3 The dilution effect is calculated as the change in shareholding of existing public shareholders in the issue share capital before and after the corresponding transaction.

Note 4 We have excluded the two share subscriptions of Persta Resources Inc. (3395.hk) (“Persta”) conducted on 8 June 2021 and 20 July 2021 respectively when arriving to these figures as we are of the view that these cases are outliers. The subscription prices of shares of Persta in these two subscriptions represent an exceptional high premium over the closing price per share on last trading day and over the average closing price for the last five consecutive trading days prior to the last trading day as compared with those of the other Comparables (i.e. premium of 120% and 78% respectively over the closing price per share on the corresponding last trading day, and premium of 90% and 64% respectively over the average closing price for the last five consecutive trading days prior to the corresponding last trading day).

Price comparison with Comparables

Based on the above table and after excluding the outliers, we noted that the subscription prices to the closing price per share on the last trading day, being the date of the corresponding agreement of the Comparables (the “**Market Range**”) ranged from a discount of approximately 15.25% to no premium/discount, with the average and median at discount of approximately 8.01% and approximately 8.39% respectively to the respective closing prices per share on the dates of relevant announcements of the Comparables.

Also, the subscription prices of the Comparables ranged from a discount of approximately 15.25% to a premium of approximately 3.80%, with an average and median at discount of approximately 7.35% and approximately 8.98% respectively to the respective average closing prices per share for the five consecutive trading days prior to (and including) the dates of relevant announcements of the Comparables (the “**5-Days Range**”).

The Subscription Price of HK\$1.60 per Subscription Share, representing a premium of approximately 5.26% and 1.91% respectively to the closing price of HK\$1.52 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements and the average closing price of approximately HK\$1.57 per Share for the last five consecutive trading days immediately prior to the date of the Subscription Agreements are above the Market Range and 5- Days Range of the Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Issue size and dilution analysis of the Comparables

As for the issue size of the shares of the Comparables (the percentage of the number of shares to the enlarged issued share capital), we note that the issue sizes of the Comparables ranged from approximately 16.67% to 42.84%, with an average and median of approximately 30.54% and 31.32% respectively. The issue size of the Shares of approximately 31.67% therefore falls within the range of the issue sizes of the Comparables and approximates the average and median of the Comparables.

In respect of the dilution effect to the public shareholders of the Comparables (change in shareholding of existing public shareholders in the issue share capital before and after the corresponding transaction), we note that the dilution effect to the public shareholders of the Comparables ranged from approximately -10.06% to -22.13%, with an average and median of approximately -15.37% and -14.64% respectively. The dilution effect to the public Shareholders of approximately -12.17% as a result of the Subscriptions therefore falls within the range of the Comparables and to a lesser extent than the average and median among those of the Comparables.

Based on the above table, we note that 3 out of the 4 Comparables were conducted at a discount to their respective share prices in the last trading days and thus, resulted in higher dilution effect to the existing public shareholders of the Comparables, which we consider are likely due to the relatively larger issue sizes of the shares (the percentage of the number of shares to the enlarged issued share capital) of these 3 Comparables and to enhance the attractiveness to their existing shareholders/investors to subscribe. Save for the above, we have not identified any other correlation between the issue size and/or dilution effect and the issue/subscription prices of the Comparables.

Given that (i) the issue size of the Subscriptions fall within the range and approximates the average and median of the Comparables; and (ii) the dilution effect of the Subscriptions fall within the range of the Comparables and the Subscriptions result in a lower dilution ratio than the average and median among those of the Comparables, we consider the Subscription Price, which is fixed at a premium to the prevailing closing prices and above the Market Range and 5-Days Range of the Comparables is more favourable to the existing public Shareholders in terms of smaller dilution effect (in case of share subscription, the higher the subscription price, the fewer the subscription shares will be allotted and issued to the subscriber by the issuer and the lesser extent of the dilution effect on shareholding will be brought to the existing public shareholders) based on the above analysis.

Having considered the above we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7. Potential dilution effects of the Subscriptions

Set out below is a table showing the shareholding structure of the Group (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Subscription I; (iii) immediately upon completion of the Subscription II; and (iv) immediately upon the Completions.

| Name of Shareholder | At the Latest Practicable Date | | Immediately upon completion of the Subscription I | | Immediately upon completion of the Subscription II | | Immediately upon the Completions | |
|---------------------------------------|--------------------------------|---------------|---|---------------|--|---------------|----------------------------------|---------------|
| | No. of shares | % | No. of shares | % | No. of shares | % | No. of shares | % |
| Mr. Hu and his associates: | | | | | | | | |
| China DaDi | 272,327,671 | 61.58 | 272,327,671 | 46.58 | 272,327,671 | 53.96 | 272,327,671 | 42.07 |
| Total Idea | - | - | 142,500,000 | 24.37 | - | - | 142,500,000 | 22.02 |
| Mr. Hu | - | - | - | - | 62,500,000 | 12.38 | 62,500,000 | 9.66 |
| Subtotal of Mr. Hu and his associates | 272,327,671 | 61.58 | 414,827,671 | 70.95 | 334,827,671 | 66.34 | 477,327,671 | 73.75 |
| Public Shareholders | 169,870,924 | 38.42 | 169,870,924 | 29.05 | 169,870,924 | 33.66 | 169,870,924 | 26.25 |
| Total | 442,198,595 | 100.00 | 584,698,595 | 100.00 | 504,698,595 | 100.00 | 647,198,595 | 100.00 |

We noted that the shareholding of the existing public Shareholders would decrease from approximately 38.42% to approximately 26.25% immediately after the Completions, representing a dilution effect of approximately 12.17%. Although the Subscriptions will incur dilution effect on the shareholding of the existing Shareholders, having taken into account (i) the Subscription can relieve part of the Group's existing loan without depleting its existing financial resources and reduce future financing costs; (ii) the result of the Subscriptions can lower the gearing ratio and immediately improve the financial position of the Group, we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

8. Possible financial effects of the Subscription

Upon Completions, the Subscription Shares will be recognised entirely as equity of the Company which in turn will enlarge the capital base and enhance the net asset position of the Company.

With reference to the 2021 Annual Report, the gearing ratio of the Group (defined as the total borrowing divided by the total equity) was approximately 15.38x as at 31 March 2021. As the Indebted Amount would be capitalised as consideration for the Subscriptions upon Completion whilst the total equity of the Group would be enlarged upon Completion, it is expected that the Subscriptions would reduce the gearing ratio of the Group.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Notwithstanding the entering into the Subscription Agreements are not in the ordinary and usual course of business of the Company, having considered the aforementioned principal factors and reasons, we are of the view that (i) the Subscriptions are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates) are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreements and the transactions contemplated thereunder (including the allotment and issue of the Subscription Shares under the Specific Mandates).

Yours faithfully,

For and on behalf of

BaoQiao Partners Capital Limited

Monica Lin

Irene Poon

Managing Director

Executive Director

Ms. Monica Lin is a responsible person registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for BaoQiao Partners Capital Limited and has over 20 years of experience in corporate finance industry.

Ms. Irene Poon is a responsible person registered under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for BaoQiao Partners Capital Limited and has over 20 years of experience in the accounting and corporate financial services industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, and as a result of the allotment and issue of the Subscription Shares will be, as follows:

| | | |
|---|--|-----------------------|
| <i>Authorised share capital:</i> | | <i>HKD</i> |
| <u>1,000,000,000</u> | Shares | <u>500,000,000</u> |
| <i>Issued and fully paid or credited as fully paid:</i> | | |
| <u>442,198,595</u> | Shares as at the Latest Practicable Date | <u>221,099,297.50</u> |
| <i>Shares to be issued:</i> | | |
| <u>205,000,000</u> | Subscription Shares to be issued | <u>102,500,000.00</u> |
| <i>Total Shares issued and to be issued:</i> | | |
| <u>647,198,595</u> | Shares | <u>323,599,297.50</u> |

The nominal value of the Shares and the Subscription Shares is HK\$0.50 each. All the existing Shares rank *pari passu* in all respects including all rights as to dividend, voting and capital. The Subscription Shares to be issued will rank *pari passu* in all respects with the existing Shares on the relevant date of allotment.

Save as disclosed above, since 31 March 2021 (the date to which the latest audited financial statements of the Company were made up) and up to the Latest Practicable Date, the Company has not issued any new Shares and as at the Latest Practicable Date, the Company did not have any outstanding options, warrants or securities which will be convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares and underlying Shares

| Name of Director | Nature of interest | Number of Shares/ Underlying Shares held | Approximate percentage of issued share capital of the Company |
|------------------|--------------------------------------|---|---|
| Mr. Hu Xingrong | Interest in a controlled corporation | 272,327,671 (Note) | 61.58% |

Note:

The entire issued share capital of China DaDi Group Limited is wholly-owned by Mr. Hu.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Mr. Hu, an executive Director, is a director of China DaDi Group Limited, the Company’s substantial shareholder. As at the Latest Practicable Date, so far as known to the Directors, no other Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

4. DISCLOSURE OF INTERESTS OF THE SHAREHOLDERS PURSUANT TO THE SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Long positions in the Shares and underlying Shares

| Name of Shareholder | Nature of interest | Number of Shares/ Underlying Shares held | Approximate percentage of issued share capital of the Company |
|-----------------------------|--------------------|---|---|
| China DaDi Group Limited | Beneficial owner | 272,327,671 (Note) | 61.58% |

Note:

These shares were directly owned by China DaDi Group Limited, which is wholly-owned by Mr. Hu.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

5. COMPETING BUSINESS INTERESTS OF DIRECTORS

At the Latest Practicable Date, the interests of the Directors of the Company in competing business that were required to be disclosed pursuant to Rule 8.10 of the Listing Rules as informed by the relevant Directors were as follows:

Mr. Hu Xingrong (an executive director and the chairman of the Company) is the chairman of the board of directors of Doof International Holding Group Company Limited* (多弗國際控股集團有限公司) (“**Doof Group**”), a company established in the People’s Republic of China (the “**PRC**”) which is a largescale comprehensive privately-owned enterprise group, which has business of properties development in the PRC. The Company is an investment holding company whose subsidiaries are principally engaged in the development, sales and leasing of properties, as well as provision of property management services and renovation and decoration services and hotel management. Therefore, the business of properties development in the PRC engaged by Doof Group (the “**Excluded Business**”) may be regarded as being potentially competing (directly or indirectly) with the Group’s business, and Mr. Hu Xingrong is regarded as being interested in the Excluded Business.

The Doof Group has a number of properties and land reserves in various regions in the PRC, and the Group has no plans to invest in properties in the same regions. While there is one overlapped region, being Chongqing, the Group’s businesses and the Doof Group’s business in Chongqing differ greatly in terms of project size, nature and target customers. The Doof Group’s development projects generally target middle-class households, whereas the Group targets upper middle and upper class households and high-end customers.

Apart from Mr. Hu, Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu (all being executive Directors of the Company) are vice presidents of Doof Group. To the best knowledge of the Company after making all reasonable enquiries, Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu had no shareholding interest in the Doof Group. The Company was informed by Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu that they were merely maintaining their positions as vice presidents of Doof Group in a non-executive nature.

The Group and the Excluded Business under Doof Group are managed by separate companies with separate management and administration. With the overseeing and supervision of the independent non-executive Directors of the Company, the Board is of the view that the Group should be capable of carrying on its businesses independently of, and at arm’s length from, the Excluded Business of Doof Group. The Board shall also regularly assess the Company’s business development to ensure that there is no issue of competition.

6. DIRECTORS’ MATERIAL INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2021 (being the date to which the latest published audited financial statements of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group; and

- (b) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, save for the existing agreements (including the master agreement dated 24 February 2021) between (i) the Group; and (ii) Mr. Hu and his direct or indirect wholly owned or 30%-controlled companies (as defined in the Listing Rules), in connection with the provision of property management decoration and renovation engineering services, in which Mr. Hu, the chairman and an executive Director of the Company has material interests.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contracts with the Company or any member of the Enlarged Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. EXPERT'S QUALIFICATIONS AND CONSENTS

The following are the qualifications of the expert who has given opinion or advice which are contained or referred to in this circular:

| Name | Qualification |
|----------------------------------|--|
| BaoQiao Partners Capital Limited | A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |

The expert above has given and has not withdrawn its written consent to the issue of this circular with copies of its letter and the references to its name included herein the form and context in which it appears.

The letter from the above expert is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, BaoQiao Partners Capital Limited did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, BaoQiao Partners Capital Limited did not have any direct or indirect interests in any assets which have since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 10:00 a.m. to 5:30 p.m. on any weekdays (except for public holidays) at the principal place of business in Hong Kong of the Company at Unit WF, 25th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong, from date of this circular up to (and including) the date of the SGM:

- the Articles of Association of the Company;
- the Subscription Agreements;
- the letter of recommendation from the Independent Board Committee, the text of which is set out on page 16 of this circular;
- the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 17 to 34 of this circular;
- the written consent letters of the experts referred to in the section headed “Expert’s Qualifications and Consents” in this appendix; and
- this circular.

11. MISCELLANEOUS

- The Company Secretary of the Company is Ms. Ho Wing Yan. Ms. Ho is an associate member the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- The principal place of business of the Company in Hong Kong is at Unit WF, 25th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong.
- The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited, 4th Floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- The English text of this circular prevails over the Chinese text in case of inconsistency.

NOTICE OF SGM



Man Sang International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

NOTICE OF SGM

NOTICE IS HEREBY GIVEN that an special general meeting (the “**SGM**”) of Man Sang International Limited (the “**Company**”) will be held at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road Wanchai, Hong Kong on Tuesday, 5 October 2021 at 5:00 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions. Capitalised terms defined in the circular dated 16 September 2021 issued by the Company (the “**Circular**”) of which this notice forms part shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the Subscription Agreement I dated 17 August 2021 entered into between the Company as issuer and Total Idea as subscriber, pursuant to which Total Idea has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 142,500,000 Subscription Shares at the Subscription Price of HK\$1.60 per Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Board be and is hereby granted with the Specific Mandate I to allot and issue the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement I; and
- (c) any one Director be and is hereby authorised to do all such acts and things, to sign and execute all such documents (in case of execution of documents under seal, to do so by any two Directors or any one Director together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement I or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

NOTICE OF SGM

2. **“THAT:**

- (a) the Subscription Agreement II dated 17 August 2021 entered into between Faithful Goal, the Company as issuer and Mr. Hu as subscriber, pursuant to which Mr. Hu has conditionally agreed to subscribe for, the Company has conditionally agreed to, and Faithful Goal has conditionally agreed to procure the Company to, allot and issue 62,500,000 Subscription Shares at the Subscription Price of HK\$1.60 per Subscription Share and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Board be and is hereby granted with the Specific Mandate II to allot and issue the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement II; and
- (c) any one Director be and is hereby authorised to do all such acts and things, to sign and execute all such documents (in case of execution of documents under seal, to do so by any two Directors or any one Director together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement II or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

By Order of the Board
Man Sang International Limited
Hu Xingrong
Chairman

Hong Kong, 16 September 2021

NOTICE OF SGM

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

Unit WF, 25th Floor, Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened (or any adjournment thereof) is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy, must be deposited together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority, at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjourned thereof).
3. Members whose names appear on the register of members of the Company, 27 September 2021 will be entitled to attend and vote at the special general meeting. In order to qualify for attending the SGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, whose share registration public offices are located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 27 September 2021.
4. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the special general meeting and in such event, the relevant form of proxy shall be deemed to be revoked.
5. In compliance with the Listing Rules and the Articles of association of the Company, all resolutions set out in this notice of the special general meeting will be voted on by way of poll.
6. In view of the ongoing Novel Coronavirus ("COVID-19") pandemic and recent requirements, if any, for prevention and control of its spread, the Company will implement the following preventive measures at the SGM, including:
 - compulsory temperature checks
 - submission of health declaration form, which may be used for contact tracing, if required
 - compulsory wearing of surgical face masks for each attendee
 - no distribution of corporate gifts or refreshments

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the venue of the SGM. The Company also encourages its shareholders to consider appointing the chairman of the meeting as its/his/her proxy to vote on the relevant resolutions at the special general meeting as an alternative to attending the meeting in person. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

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