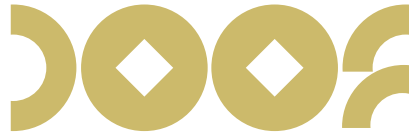


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## **MAN SANG INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 938)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023**

The board of directors (the “**Board**”) of Man Sang International Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2023.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the year ended 31 March 2023

		2023	2022
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>137,137</b>	116,656
Cost of sales		<u><b>(126,702)</b></u>	<u>(125,050)</u>
Gross profit (loss)		<b>10,435</b>	(8,394)
Other income and gains (losses), net	5	<b>202</b>	(771)
Decrease in fair value of financial asset at fair value through profit or loss		<b>(2,541)</b>	(8,799)
Selling expenses		<b>(11,399)</b>	(13,835)
Administrative expenses		<b>(69,210)</b>	(82,830)
Impairment loss on properties held for sale		<b>(46,994)</b>	(5,710)
Decrease in fair value of investment properties		<b>(193,891)</b>	(69,366)
Finance income	6	<b>47</b>	63
Finance costs	6	<u><b>(167,920)</b></u>	<u>(185,602)</u>
Loss before tax	7	<b>(481,271)</b>	(375,244)
Income tax expense	8	<u><b>(2,054)</b></u>	<u>(366)</u>
Loss for the year		<u><b>(483,325)</b></u>	<u>(375,610)</u>
Loss for the year attributable to:			
Equity holders of the Company		<b>(482,922)</b>	(371,735)
Non-controlling interest		<u><b>(403)</b></u>	<u>(3,875)</u>
		<u><b>(483,325)</b></u>	<u>(375,610)</u>
<b>LOSS PER SHARE</b>			
– basic and diluted ( <i>HK dollars</i> )	9	<u><b>(0.75)</b></u>	<u>(0.69)</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(483,325)</b>	(375,610)
<b>Other comprehensive (expenses) income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(104,598)</u>	<u>48,641</u>
Total comprehensive expenses for the year	<u><b>(587,923)</b></u>	<u>(326,969)</u>
Total comprehensive expenses for the year attributable to:		
Equity holders of the Company	<b>(587,601)</b>	(323,153)
Non-controlling interest	<u>(322)</u>	<u>(3,816)</u>
	<u><b>(587,923)</b></u>	<u>(326,969)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		<b>1,620,189</b>	1,957,299
Property, plant and equipment		<b>540,205</b>	633,604
Financial asset at fair value through profit or loss		–	2,741
Right-of-use assets		<b>179,660</b>	203,110
Intangible assets		<b>1,652</b>	1,706
Other receivables	<i>11</i>	<b>5,177</b>	9,794
		<b>2,346,883</b>	2,808,254
<b>Current assets</b>			
Properties held for sale		<b>379,983</b>	465,440
Inventories		<b>147</b>	4,586
Trade and other receivables	<i>11</i>	<b>26,975</b>	26,363
Contract assets	<i>11</i>	<b>18,913</b>	9,691
Amounts due from related companies		<b>9,614</b>	6,164
Cash and cash equivalents		<b>32,869</b>	31,770
		<b>468,501</b>	544,014
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>184,972</b>	152,221
Amounts due to related companies		<b>2,335</b>	2,421
Tax payables		<b>151,182</b>	160,121
Bank and other borrowings	<i>13</i>	<b>123,047</b>	32,949
Unsecured borrowings from a director	<i>15</i>	–	14,765
Lease liabilities		<b>2,261</b>	2,071
		<b>463,797</b>	364,548
<b>Net current assets</b>		<b>4,704</b>	179,466
<b>Total assets less current liabilities</b>		<b>2,351,587</b>	2,987,720

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued***As at 31 March 2023*

		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>12,703</b>	15,060
Promissory notes	<i>14</i>	<b>912,052</b>	868,052
Bank and other borrowings	<i>13</i>	<b>1,338,441</b>	1,508,937
Unsecured borrowings from a director	<i>15</i>	<b>477,516</b>	377,561
Lease liabilities		<b>8,639</b>	10,782
Other payables	<i>12</i>	<u>–</u>	<u>17,169</u>
		<u><b>2,749,351</b></u>	<u>2,797,561</u>
		<u><b>(397,764)</b></u>	<u>190,159</u>
<b>Capital and reserves</b>			
Share capital	<i>17</i>	<b>323,599</b>	323,599
Reserves		<u><b>(719,933)</b></u>	<u>(132,332)</u>
Equity attributable to owners of the Company		<b>(396,334)</b>	191,267
Non-controlling interest		<u><b>(1,430)</b></u>	<u>(1,108)</u>
		<u><b>(397,764)</b></u>	<u>190,159</u>

## NOTES

*For the year ended 31 March 2023*

### 1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

During the year ended 31 March 2023, the Group reported loss for the year of approximately HK\$483,325,000. As at 31 March 2023, the Group had total current liabilities of approximately HK\$463,797,000 while the Group had bank balances and cash of approximately HK\$32,869,000.

In preparing the consolidated financial statements of the Group, the directors of the Company have reviewed the Group's cash flow projections covering a period of not less than twelve months from 31 March 2023 and have given careful consideration to the Group's future liquidity, performance and available resources, including but not limited to:

- a) The operation of the property project of Chongqing Kingstone Land Co., Ltd.\* (重慶皇石置地有限公司) (“**Chongqing Kingstone**”), an indirect wholly-owned subsidiary of the Company, is expected to continue to generate operating cash inflows to the Group by actively adjusting sales and marketing activities to better respond to market needs;
- b) Provision of the drawdown of the Group's unused loan facilities with Mr. Hu of approximately HK\$307,795,000 (note 15) and additional facilities of RMB300 million granted in June 2023, all of which will expire in December 2025;
- c) Provision of the drawdown of the Group's unused loan facilities with Mr. Hu's controlled related company of HK\$49,223,000 (note 13), which will expire in December 2025; and
- d) The Group will continuously comply with financial covenants and other terms and conditions of the secured bank borrowings, including timely repayment of principal and interests of the bank borrowings.

The Group is assessing and considering different feasible solutions for the Group to improve its operations, including but not limited to obtaining additional equity/loan financing from Mr. Hu and/or his related companies and other options for reducing debt burden of the Group.

In addition, the Group will also consider other business options including but not limited to refining the investment strategy and/or other alternatives in optimising the asset portfolio of the Group to relieve the Group's burden.

Based on the above, in the opinion of the directors of the Company, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 31 March 2023. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to achieve the above-mentioned measures, it might not be able to continue in business as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, where applicable. The effect of these adjustments has not been reflected in the consolidated financial statements.

\* *For identification purpose only*

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning on 1 April 2022.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to Hong Kong Accounting Standard (“HKAS”) 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual improvements to HKFRSs 2018–2020 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

### New amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

### 3. REVENUE

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

	For the year ended 31 March 2023				Total HK\$'000
	Chongqing property HK\$'000	Property management services HK\$'000	Renovation and decoration HK\$'000	Hotel operation in Japan HK\$'000	
<b>Type of goods and services</b>					
- Sales of properties	5,782	-	-	-	5,782
- Operation of serviced apartments	30,052	-	-	-	30,052
- Property management services	-	36,907	-	-	36,907
- Renovation and decoration services	-	-	50,185	-	50,185
- Hotel room	-	-	-	2,246	2,246
- Restaurant operations	-	-	-	1,076	1,076
- Golf club operations	-	-	-	5,354	5,354
- Other	-	-	-	440	440
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	35,834	36,907	50,185	9,116	132,042
Rental income for investment properties under operating lease					
- Fixed lease payments	1,246	-	-	-	1,246
- Variable lease payments that do not depend on an index or rate	3,849	-	-	-	3,849
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	<u>40,929</u>	<u>36,907</u>	<u>50,185</u>	<u>9,116</u>	<u>137,137</u>



	For the year ended 31 March 2022				Total HK\$'000
	Chongqing property HK\$'000	Property management services HK\$'000	Renovation and decoration HK\$'000	Hotel operation in Japan HK\$'000	
<b>Type of goods and services</b>					
- Sales of properties	-	-	-	-	-
- Operation of serviced apartments	28,981	-	-	-	28,981
- Property management services	-	30,919	-	-	30,919
- Renovation and decoration services	-	-	40,329	-	40,329
- Hotel room	-	-	-	1,736	1,736
- Restaurant operations	-	-	-	223	223
- Golf club operations	-	-	-	5,894	5,894
- Other	-	-	-	137	137
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenue from contracts with customers	28,981	30,919	40,329	7,990	108,219
Rental income for investment properties under operating lease					
- Fixed lease payments	2,786	-	-	-	2,786
- Variable lease payments that do not depend on an index or rate	<u>5,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,651</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenue	<u>37,418</u>	<u>30,919</u>	<u>40,329</u>	<u>7,990</u>	<u>116,656</u>

#### 4. SEGMENT INFORMATION

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

The Group's operating businesses are structured and managed separately according to the nature of the operations and the product perspectives. Each of the Group's reportable operating segment represents a strategic business unit that are subject to risks and returns that are different from the other reportable operating segment. No operating segments identified by the CODM have been aggregated in arriving at the reportable segment of the Group.

Details of the reportable operating segment are as follows:

1. Chongqing property – Property development, sales and leasing of properties
2. Property management services – Provision of property management services
3. Renovation and decoration – Provision of renovation and decoration services
4. Hotel operation in Japan – Hotel and golf club operations in Hokkaido, Japan

The following is an analysis of the Group's revenue and results by reportable and operating segments.

**For the year ended 31 March 2023**

	Chongqing property <i>HK\$'000</i>	Property management services <i>HK\$'000</i>	Renovation and decoration <i>HK\$'000</i>	Hotel operation in Japan <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>					
Revenue from external customers	<u>40,929</u>	<u>36,907</u>	<u>50,185</u>	<u>9,116</u>	<u>137,137</u>
Segment (loss) profit	<u>(401,526)</u>	<u>8,509</u>	<u>(2,207)</u>	<u>(9,700)</u>	(404,924)
Unallocated income					16
Unallocated expenses					<u>(76,363)</u>
Loss before tax					<u>(481,271)</u>

For the year ended 31 March 2022

	Chongqing property <i>HK\$'000</i>	Property management services <i>HK\$'000</i>	Renovation and decoration <i>HK\$'000</i>	Hotel operation in Japan <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>					
Revenue from external customers	<u>37,418</u>	<u>30,919</u>	<u>40,329</u>	<u>7,990</u>	<u>116,656</u>
Segment (loss) profit	<u>(267,055)</u>	<u>2,592</u>	<u>(11,485)</u>	<u>(12,673)</u>	(288,621)
Unallocated income					12
Unallocated expenses					<u>(86,635)</u>
Loss before tax					<u>(375,244)</u>

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Segment assets</b>		
Chongqing property	2,694,425	3,223,200
Property management services	27,123	19,263
Renovation and decoration services	28,582	27,285
Hotel operation in Japan	58,059	72,174
Unallocated assets	<u>7,195</u>	<u>10,346</u>
Total consolidated assets	<u>2,815,384</u>	<u>3,352,268</u>
<b>Segment liabilities</b>		
Chongqing property	2,164,948	2,190,287
Property management services	8,951	8,502
Renovation and decoration services	34,404	32,266
Hotel operation in Japan	17,063	19,268
Unallocated liabilities	<u>987,782</u>	<u>911,786</u>
Total consolidated liabilities	<u>3,213,148</u>	<u>3,162,109</u>

**5. OTHER INCOME AND GAINS (LOSSES), NET**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Exchange gain (loss), net	(1,930)	41
Government grants	288	531
Others	<u>1,844</u>	<u>(1,343)</u>
	<u><u>202</u></u>	<u><u>(771)</u></u>

**6. FINANCE INCOME AND FINANCE COSTS**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance income:		
– Bank interest income	<u>47</u>	<u>63</u>
Finance costs:		
– Interest on bank and other borrowings	94,148	107,876
– Interest on unsecured borrowings from a director	28,987	22,927
– Interest on promissory notes ( <i>note 14</i> )	44,000	53,745
– Interest on lease liabilities	<u>785</u>	<u>1,054</u>
	<u><u>167,920</u></u>	<u><u>185,602</u></u>

## 7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Staff costs (including directors and chief executive of the Company)		
– salaries and other allowances	39,673	64,413
– retirement benefits schemes contributions	<u>6,975</u>	<u>8,275</u>
	<u>46,648</u>	<u>72,688</u>
Cost of properties recognised as an expense	8,958	–
Auditor's remuneration		
– Statutory audit services	1,750	1,760
– Non-statutory audit services	200	890
Loss on disposal of property, plant and equipment	19	–
Impairment loss on other receivables	1,067	–
Impairment loss on trade receivables	468	–
Depreciation of property, plant and equipment	33,830	38,282
Gross rental income from investment properties	(5,095)	(8,437)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	11,731	14,456
Depreciation of right-of-use assets	<u>5,774</u>	<u>5,712</u>

## 8. INCOME TAX EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current income tax</b>		
– PRC Enterprise Income Tax	2,690	6,389
– PRC Land Appreciation Tax	<u>87</u>	<u>–</u>
	2,777	6,389
Deferred tax	<u>(723)</u>	<u>(6,023)</u>
	<u>2,054</u>	<u>366</u>

### **Hong Kong Profits Tax**

No Hong Kong Profits Tax has been provided since no assessable profits have been generated during both years ended 31 March 2023 and 2022.

### **Japan Corporate Income Tax**

No Japan Corporate Income Tax has been provided since no assessable profits have been generated during the years ended 31 March 2023 and 2022.

### **The PRC Enterprise Income Tax**

The PRC Enterprise Income Tax in respect of operations in the PRC is calculated at a rate of 25% on the estimated assessable profits for the years ended 31 March 2023 and 2022 under the Law of the PRC's on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

### **The PRC Land Appreciation Tax**

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value under the applicable regulations, which is calculated based on the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowing costs, statutory deduction and all property development expenditures.

## **9. LOSS PER SHARE**

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to equity holders of the Company for the purpose of basic and diluted loss per share	<u>(482,922)</u>	<u>(371,735)</u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>647,199</u>	<u>538,240</u>

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

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been adjusted, taking into account the new issued during the year ended 31 March 2022 as further detailed in note 17.

No potential dilutive shares in issue during the years ended 31 March 2023 and 2022, basic and dilutive loss per share are the same for both years.

## 10. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

## 11. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	19,069	14,433
Less: allowance for impairment of trade receivables	<u>(4,721)</u>	<u>(4,253)</u>
	14,348	10,180
Deposits and other receivables	17,771	24,222
Less: allowance for impairment of other receivables	(1,067)	–
Prepayments	<u>1,100</u>	<u>1,755</u>
	32,152	36,157
Portion classified as current assets	<u>(26,975)</u>	<u>(26,363)</u>
Non-current portion	<u>5,177</u>	<u>9,794</u>
Contract assets	<u>18,913</u>	<u>9,691</u>

The Group allows an average credit period of 0 – 60 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date, which approximates to revenue recognition date, at the end of the reporting period.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	8,512	3,097
31–90 days	5,168	2,428
91–180 days	668	522
More than 180 days	<u>–</u>	<u>4,133</u>
	<u>14,348</u>	<u>10,180</u>

## 12. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	10,910	6,424
Construction costs accruals and payables	88,940	74,948
Other accruals and payables	85,122	88,018
	<u>184,972</u>	<u>169,390</u>
Analysed as		
Non-current	–	17,169
Current	184,972	152,221
	<u>184,972</u>	<u>169,390</u>

## 13. BANK AND OTHER BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other borrowings – unsecured	72,199	42,912
Bank borrowing – secured	1,389,289	1,498,974
	<u>1,461,488</u>	<u>1,541,886</u>
Current:		
Unsecured other borrowings – principal portion ( <i>note (i)</i> )	12,996	14,760
Unsecured other borrowings – interest portion ( <i>note (i)</i> )	4,526	2,729
Secured bank borrowing – principal portion ( <i>note (ii)</i> )	102,600	12,300
Secured bank borrowing – interest portion ( <i>note (ii)</i> )	2,925	3,160
	<u>123,047</u>	<u>32,949</u>
Non-current:		
Unsecured other borrowings – principal portion ( <i>note (iii)</i> )	50,777	24,691
Unsecured other borrowings – interest portion ( <i>note (iii)</i> )	3,900	732
Secured bank borrowing – principal portion ( <i>note (ii)</i> )	1,283,764	1,483,514
	<u>1,338,441</u>	<u>1,508,937</u>
Total bank and other borrowings	<u>1,461,488</u>	<u>1,541,886</u>



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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	123,047	32,949
More than 1 year but less than 2 years	102,600	50,022
More than 2 years but less than 5 years	362,477	332,100
More than 5 years	<u>873,364</u>	<u>1,126,815</u>
	<u><b>1,461,488</b></u>	<u><b>1,541,886</b></u>

- (i) The unsecured other borrowings as at 31 March 2023 represented the unsecured borrowings from related companies, which are beneficially owned by Mr. Hu, with outstanding principal amount of RMB11,400,000 (31 March 2022: RMB12,000,000), equivalent to HK\$12,996,000 (31 March 2022: HK\$14,760,000) carrying fixed interest rate of 15% per annum; and interest payable of RMB3,970,000 (31 March 2022: RMB2,219,000), equivalent to HK\$4,526,000 (31 March 2022: HK\$2,729,000), which are repayable within one year from the end of the reporting period.
- (ii) The secured bank borrowing with total principal amount of RMB1,216,109,000 (31 March 2022: RMB1,216,109,000), equivalent to HK\$1,386,364,000 (31 March 2022: HK\$1,495,814,000).

The secured bank borrowing carries a fixed interest rate of 7% per annum as at 31 March 2022. On 19 December 2022, the Group was granted a new fixed interest rate while the other terms of the secured bank borrowing remained unchanged. As at 31 March 2023 the secured bank borrowing carries a fixed interest rate of 5.3% per annum with the interest payable quarterly, and will mature on 30 March 2035.

At the end of the reporting period, carrying amounts of the Group's assets pledged to secure the bank borrowing of the Group are as follows.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Property, plant and equipment	485,625	550,169
Properties held for sale	379,983	465,440
Right-of-use assets	178,764	203,110
Investment properties	<u>1,607,478</u>	<u>1,940,835</u>

- (iii) On 1 July 2021, an unsecured revolving loan facility with facility amount of HK\$100,000,000 has been granted from a related company, which is beneficially owned by Mr. Hu, which carries a fixed interest rate of 8% per annum, with maturity date on 31 December 2025.

As at 31 March 2023, unsecured revolving loan facility with aggregate principal amount of approximately HK\$50,777,000 (31 March 2022: HK\$24,691,000) has been drawn down and interest payable of approximately HK\$3,900,000 (31 March 2022: HK\$732,000). The remaining loan facility with principal amount of approximately HK\$49,223,000 (31 March 2022: HK\$75,309,000) has not yet utilised.

- (iv) As at 31 March 2023, the Group's secured bank borrowing with carrying amount of approximately HK\$1,386,364,000 (2022: HK\$1,495,814,000) is subject to the fulfilment of covenants relating to certain usage restriction. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 March 2023, none of the covenants relating to drawn down facilities had been breached (2022: nil).

#### 14. PROMISSORY NOTES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At the beginning of the year	868,052	1,042,307
Interest charge ( <i>note 6</i> )	44,000	53,745
Issue shares for the repayment ( <i>note 17(i)</i> )	—	(228,000)
	<u>912,052</u>	<u>868,052</u>
At the end of year	<u>912,052</u>	<u>868,052</u>

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

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

On 15 December 2017, promissory notes with aggregate principal amount of HK\$778,000,000 have been transferred to Total Idea International Limited (“**Total Idea**”), in which Mr. Hu, the executive director and chairman of the Company, is the ultimate beneficial owner.

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

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

On 4 September 2020, the maturity date of the promissory notes has been further extended from 28 July 2021 to 28 July 2022. Details are set out in the Company's announcement dated 4 September 2020.

In October 2021, promissory notes with aggregate principal of HK\$228,000,000 were early redeemed by the Company while promissory notes with aggregate principal amount of HK\$550,000,000 remained outstanding.

On 30 November 2021, the maturity date of the promissory notes has been further extended from 28 July 2022 to 28 July 2023. Details are set out in the Company's announcement dated 30 November 2021.

On 14 March 2023, the maturity date of the promissory notes has been further extended from 28 July 2023 to 31 December 2025. Details are set out in the Company's announcement dated 14 March 2023.

## 15. UNSECURED BORROWINGS FROM A DIRECTOR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Unsecured borrowings denominated in RMB ( <i>note (i)</i> )		
– principal portion	362,205	300,354
– interest portion	<u>100,546</u>	<u>77,207</u>
	<u>462,751</u>	<u>377,561</u>
Unsecured borrowing denominated in HK\$ ( <i>note (ii)</i> )		
– principal portion	–	–
– interest portion	<u>14,765</u>	<u>14,765</u>
	<u>14,765</u>	<u>14,765</u>
	<u>477,516</u>	<u>392,326</u>
Amounts shown under current liabilities	–	14,765
Amounts shown under non-current liabilities	<u>477,516</u>	<u>377,561</u>
	<u>477,516</u>	<u>392,326</u>

### Notes:

- (i) On 1 June 2018 and 29 August 2018, an unsecured revolving loan facility with an aggregate facility amount of RMB500,000,000 (as at 31 March 2023: equivalent to HK\$570,000,000) has been granted from Mr. Hu to certain subsidiaries established in the PRC which carries a fixed interest rate of 9% per annum.

On 30 November 2021, the maturity date of the above-mentioned loan facility has been further extended from 6 July 2022 to 6 July 2023.

On 14 March 2023, the maturity date of the above-mentioned loan facility has been further extended from 6 July 2023 to 31 December 2025.

As at 31 March 2023, unsecured borrowings with aggregate principal amount of RMB317,723,000 (31 March 2022: RMB244,190,000), equivalent to approximately HK\$362,205,000 (31 March 2022: HK\$300,354,000), has been drawn down, remaining approximately RMB182,277,000 (31 March 2022: RMB255,810,000), equivalent to approximately HK\$207,795,000 (31 March 2022: HK\$314,646,000), has not yet utilised. The effective interest rate of the unsecured borrowings is 9% per annum.

- (ii) On 7 January 2019, another unsecured revolving loan facility with maximum facility amount of HK\$100,000,000 has been granted from Mr. Hu to an indirectly wholly-owned subsidiary of the Company, which carries a fixed interest rate of 8% per annum, with maturity date on 6 July 2022.

On 30 November 2021, the maturity date of the above-mentioned loan facility has been further extended from 6 July 2022 to 6 July 2023.

On 14 March 2023, the maturity date of the above-mentioned loan facility has been extended from 6 July 2023 to 31 December 2025.

On 12 October 2021, principal amount of unsecured borrowings of HK\$100,000,000 were settled by the issuance of subscription shares of the Company (note 17(i)).

As at 31 March 2023, none of the facility (31 March 2022: nil) has been drawn down.

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Fixed rate		
– expiring on 6 July 2022	–	100,000
– expiring on 6 July 2023	–	314,646
– expiring on 31 December 2025	<u>307,795</u>	<u>–</u>
	<u><b>307,795</b></u>	<u>414,646</u>

## 16. CAPITAL COMMITMENT

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Capital expenditure in respect of refurbishment of properties contracted but not provided for in the consolidated financial statements	<u><b>7,351</b></u>	<u>1,963</u>

## 17. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
<b>Ordinary shares</b>			
<b>Authorised</b>			
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023 (HK\$0.5 each)		<u>1,000,000</u>	<u>500,000</u>
<b>Issued and fully paid</b>			
At 1 April 2021 (HK\$0.5 each)		442,199	221,099
Issue of shares for settlement of indebtedness	(i)	<u>205,000</u>	<u>102,500</u>
At 31 March 2022, 1 April 2022 and 31 March 2023 (HK\$0.5 each)		<u>647,199</u>	<u>323,599</u>

### *Notes:*

- (i) On 17 August 2021, the Company entered into a subscription agreement 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 of the Company at the subscription price of HK\$1.60 per share. The consideration shall be satisfied in full by setting off against the Company's obligation to repay part of the principal of the promissory notes (i.e. the promissory notes to be set-off of HK\$228,000,000).

On 17 August 2021, the Company entered into a subscription agreement with Faithful Goal International Limited ("**Faithful Goal**"), an indirectly wholly-owned subsidiary, 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 of the Company at the subscription price of HK\$1.60 per share. The consideration shall be satisfied in full by setting off against Faithful Goal's obligation to repay part of the unsecured borrowings from a director of HK\$100,000,000.

The subscriptions were completed on 12 October 2021.

All issued shares rank pari passu in all respects with each other.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in this preliminary announcement have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

## **EXTRACT FROM INDEPENDENT AUDITOR'S REPORT PREPARED BY THE INDEPENDENT AUDITOR**

The Group would like to provide an extract from the independent auditor's report prepared by SHINEWING (HK) CPA Limited (the independent auditor) on the Group's annual consolidated financial statements for the year ended 31 March 2023 as set out below:

### **Material Uncertainty Relating to Going Concern**

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$483,325,000 during the year ended 31 March 2023 and, as of that date, the Group had total current liabilities of approximately HK\$463,797,000 while the Group had bank balances and cash of approximately HK\$32,869,000. As stated in note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 March 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Overview

The Board is pleased to report the results of the Group for the year ended 31 March 2023 (“FY23”). During FY23, basic loss per share was HK\$0.75 (for the year ended 31 March 2022 (“FY22”) per share was HK\$0.69), and total comprehensive expenses was approximately HK\$587,923,000 (FY22: HK\$326,969,000).

### Business Review

During FY23, the Group had engaged in four business streams including (i) property development, sales and leasing of properties; (ii) provision of property management services; (iii) provision of renovation and decoration services; and (iv) hotel operation in Hokkaido, Japan, to create diversified income sources for the Group.

### Chongqing Property

Revenue: HK\$40,929,000 (FY22: HK\$37,418,000)

Chongqing Kingstone Land Co., Limited\* (重慶皇石置地有限公司) (“Chongqing Kingstone”), an indirect wholly-owned subsidiary of the Company, holds a property located at 77 Qingnian Road, Yuzhong District, Chongqing, the PRC (the “Chongqing Property”). It is close to Jiefangbei Walking Street which is a local and national famous pedestrian lane with numerous retail shops.

Chongqing Property comprises residential apartments (for sale), serviced apartments (for lease) managed by an internationally renowned hotel management group and a shopping mall (for lease).

Included in the Chongqing Property, the shopping mall is classified as “Investment Properties”, the fair value of which amounted to HK\$1,620,189,000 as at 31 March 2023, which was equivalent to 57.55% of total assets of the Group.

After the COVID-19 pandemic come to an end, the tourist business recovery trend is obvious, but business travel has not resumed entirely. The real estate investors remain cautious, leading to a slow down of the sales of high-end apartments. We are now studying to enhance the business model to boost sales. Benefiting from the resume of the tourism industry, the hotel business has an average occupancy rate of over 80%, outperforming the surrounding hotels of the same category. At the same time, it won the Year 2022–2023 Chongqing Hotel Industry Golden Camellia Award (重慶市酒店行業金茶花獎). With the increasing customer traffic and sales after the end of the COVID-19 pandemic, the leasing of the shopping mall improved continuously. Despite the overall result being inevitably affected by the COVID-19 pandemic during the year, with the recovering market and positive result from adjusted management strategy, we believe that the rental income from serviced apartment and shopping mall in the Chongqing Property will remain as a stable income source of the Group in long run.

## **Property Management**

Revenue: HK\$36,907,000 (FY22: HK\$30,919,000)

In 2020, the Group entered into the property management industry and created synergies with the Group's other businesses and has diversified the income sources of the Group.

Zhejiang Huiyong Property Management Service Co., Ltd. (浙江暉永物業管理服務有限公司) (“**Huiyong Property**”), an indirect wholly-owned subsidiary of the Company was recognised as the “2020 Top 100 Property Management Companies in China” by the China Index Academy and was awarded the title of “China Property Service Company with Featured Brands” in 2021.

Huiyong Property has over 12 subsidiaries in multiple provinces such as Zhejiang, Guangdong, Sichuan, Jiangsu, Fujian, Shanxi, Guizhou, Qinghai and Anhui. The properties under management comprised of a variety of property types including residential communities, retail premises, office premises, sales offices and scenic areas, etc.

Huiyong Property has successfully enlarged its operation scale through taking on new projects, thus contributed to its revenue increment.

Huiyong Property is committed to building an advanced property service platform, constructing a smart property management information system, introducing a “platform + steward” service model that creates a community that focuses on comfort, family, health and smart ecology, to provide property owners with a first-class community environment, smart information system and complete security protection, as well as satisfy the needs of property owners in terms of food, shopping, housing, amusement and entertainment, thereby creating a pleasant community with comfortable offices and happy living.

In 2023, while improving its management internally, Huiyong Property will increase its brand influence externally, expand its service scope and service scenarios, and plans to seek cooperation opportunities with leading property companies in the industry.

## **Renovation and Decoration**

Revenue: HK\$50,185,000 (FY22: HK\$40,329,000)

The Group's entering into the renovation and decoration industry in 2020 has led the Group to acquire resources, skills and techniques to expand new businesses and complement other businesses.



Wenzhou Beichen Construction Co., Ltd. (溫州北宸建設有限公司) (“**Beichen Construction**”), an indirect subsidiary of the Company, is principally engaged in renovation and decoration and engineering services in the PRC and holds the PRC Grade One construction and decoration engineering contractor qualification.

The business of Beichen Construction is mainly in Zhejiang and is gradually expanding outside the province. It specialises in various renovation and decoration projects for residential buildings, hotels, shopping malls, office buildings, schools and hospitals, and has completed various projects with exquisite craftsmanship and sound construction management.

### **Hotel operation in Japan**

Revenue: HK\$9,116,000 (FY22: HK\$7,990,000)

Tafutsu Kabushiki Kaisha\* (株式會社多弗) (“**Doof Japan**”), an indirect wholly-owned subsidiary of the Company, operates a resort hotel and a 18-hole golf course located in Hokkaido, Japan.

During reporting period, as the pandemic stabilized and the vaccination rate continued to rise, the Japanese government continued to enlarge the opening up of entry and the support of the tourism industry; with the global cross-border tourism continuing to resume, it has created a better environment and opportunities for hotels and golf courses operations in Japan.

As to hotel operations management, guided by the principle of “taking root in the local market for common development”, the Group continued to launch a series of marketing activities for the local market in Japan and overseas to develop and enrich the product lines of the hotel, golf course and restaurant to meet the needs of customers at different levels, which has had a positive impact on the business performance.

The development of the COVID-19 pandemic created a turning point, together with the recovery of the Japan’s inbound tourism, the Group’s Hokkaido hotels will take advantage of its uniquely beautiful natural environment, and the advantages of its uniquely competitive integrated facilities of “hotel + stadium + restaurant” to steadily increase its profitability.

## **LOOKING FORWARD**

For the Chongqing Property, with its geographical advantage, quality of the Group's project and managerial experience, the serviced apartments have generated positive returns and will provide to the Group with considerable and stable income. The shopping mall operation is still in its nurturing stage, and it has improved after the pandemic. The Group is actively undergoing customer mix enhancement, shopping mall upgrade and business mix adjustments. Based on the re-investigation of the post-pandemic real estate market, residential apartment sales plan will be adjusted and optimized for new breakthrough in sales.

As new projects are successively undertaken by the Group, Huiyong Property and Beichen Construction continue to generate revenue growth for the Group and the business scope of the Group gradually expands.

After the global pandemic control is lifted, the Japanese tourism industry is gradually recovering and the performance of hotels in Hokkaido is improving.

The Group will continue to focus on (i) monitoring the financial performance of the existing businesses; (ii) reducing operating expenses and fees; and (iii) improving the profitability of each asset to generate stable income and cash flows and lower the gearing ratio and the finance costs.

On the basis of further improving the existing business, the Group will also proactively look for more investment opportunities with promising outlooks and prospects and continue to create value for shareholders.

## **FINANCIAL REVIEW**

### **Revenue, gross profit and gross profit margin**

Revenue of the Group for FY23 amounted to HK\$137,137,000 (FY22: HK\$116,656,000), which comprised of sales and leasing income from the Chongqing Property, income from the Japan resort hotel, property management service income and renovation and decoration income. The increase in revenue by HK\$20,481,000 as compared to prior year was contributed from all sectors of the Company, especially revenue generated from the renovation and decoration and property management service operating segments.

Gross profit of the Group for FY23 amounted to HK\$10,435,000, a turnaround from gross loss of HK\$8,394,000 in prior year. The gross profit margin turned around 7.6% for FY23 from negative gross profit margin of 7.2% in FY22. The turnaround in both gross profit and gross profit margin for the year is mainly due to increase in revenue from leasing income of Chongqing Property and income from the Japan resort hotel in the post-pandemic period and income from property management service income and renovation and decoration mainly due to volume of the projects undertaken. The Group had also tightened its cost control and it kept around FY2022 level.

### **Selling and administrative expenses**

Selling and administrative expenses mainly comprised of selling expenses amounted to HK\$11,399,000 (FY22: HK\$13,835,000) and administrative expenses of HK\$69,210,000 (FY22: HK\$82,830,000). With disciplined cost control strategy, the Group closely managed selling and administrative expenses during the year, as a result both selling expenses and administrative expenses were decreased by 17.6% and 16.4% respectively.

### **Loss and total comprehensive expenses for the year attributable to owners of the Company**

The loss attributable to the equity holders of the Company worsened to HK\$482,922,000 (FY22: HK\$371,735,000) and the total comprehensive expenses for FY23 attributable to equity holders of the Company was HK\$587,601,000 (FY22: HK\$323,153,000) which was mainly attributable to (i) decrease in fair value of investment property amounted to HK\$193,891,000; (ii) impairment loss on properties held for sales amounted to HK\$46,994,000; and (iii) finance costs amounted to HK\$167,920,000.

### **Liquidity and capital resources**

As at 31 March 2023, the Group's total equity was negative HK\$397,764,000 (2022: HK\$190,159,000), represented a decrease of HK\$587,923,000 for the year. This was mainly attributable to (i) exchange loss on translation of foreign operations of HK\$104,598,000 as a result of a combination of Renminbi and Japanese Yen against Hong Kong dollars; (ii) loss attributable to the Company for FY23 amounted to HK\$482,922,000; and (iii) partial offset by the gain attributable to the non-controlling interests.

As at 31 March 2023, the Group had cash and cash equivalent of HK\$32,869,000 (2022: HK\$31,770,000). Cash and bank balances are mainly denominated in Renminbi. The Group's current assets amounted to HK\$468,501,000 (2022: HK\$544,014,000). The current ratio, represented by total current assets divided by total current liabilities, was narrowing to 1.01 from 1.49 in 2022.

As at 31 March 2023, the Group had current liabilities of HK\$463,797,000 (2022: HK\$364,548,000) and total borrowings, representing bank and other borrowings, promissory notes and unsecured borrowings from a director amounted to HK\$2,851,056,000 (2022: HK\$2,802,264,000), which are interest bearing and denominated either in Renminbi or Hong Kong dollars. The Group does not currently use any derivatives to manage interest rate risk. Gearing ratio, represented by total borrowings divided by total equity, was negative 7.17 (2022: 14.74) as a negative total equity was recorded as at 31 March 2023. Approximately HK\$123,047,000 (2022: HK\$47,714,000) of the total borrowings will be due in the coming twelve months from the end of the reporting period. As at 31 March 2023, the Group had capital commitment of HK\$7,351,000 (2022: HK\$1,963,000), while its net current assets and cash and cash equivalents amounted to HK\$4,704,000 (2022: HK\$179,466,000) and HK\$32,869,000 (2022: HK\$31,770,000) respectively.

In preparing the consolidated financial statements of the Group, the directors of the Company have reviewed the Group's cash flow projections covering a period of not less than twelve months from 31 March 2023 and have given careful consideration to the Group's future liquidity, performance and available resources, including but not limited to:

- a) The operation of the property project of Chongqing Kingstone Land Co., Ltd.\* (重慶皇石置地有限公司) (“**Chongqing Kingstone**”), an indirect wholly-owned subsidiary of the Company, is expected to continue to generate operating cash inflows to the Group by actively adjusting sales and marketing activities to better respond to market needs;
- b) Provision of the drawdown of the Group's unused loan facilities with Mr. Hu of approximately HK\$307,795,000 and additional facilities of RMB300 million granted in June 2023, all of which will expire in December 2025;
- c) Provision of the drawdown of the Group's unused loan facilities with Mr. Hu's controlled related company of HK\$49,223,000, which will expire in December 2025; and
- d) The Group will continuously comply with financial covenants and other terms and conditions of the secured bank borrowings, including timely repayment of principal and interests of the bank borrowings.

The Group is assessing and considering different feasible solutions for the Group to improve its operations, including but not limited to obtaining additional equity/loan financing from Mr. Hu and/or his related companies and other options for reducing debt burden of the Group.

In addition, the Group will also consider other business options including but not limited to refining the investment strategy and/or other alternatives in optimising the asset portfolio of the Group to relieve the Group's burden.

Based on the above, in the opinion of the directors of the Company, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 31 March 2023. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

### **Exposure to the fluctuations in exchange rates**

The Group principally operates its businesses in PRC, Hong Kong and Japan. The Group has subsidiaries operating in PRC and Japan, in which most of their transactions are denominated in Renminbi (“**RMB**”) and Japanese Yen (“**JPY**”) respectively. The Group is exposed to foreign exchange fluctuations from RMB and JPY which are the main foreign currency transacted by the Group during FY23.

The Group did not enter into any foreign exchange contract as hedging measures during FY23. The Group manages its foreign currency risk against RMB and JPY by closely monitoring their movements and may use hedging derivatives, such as foreign currency forward contracts, to manage its foreign currency risk as appropriate.

### **Human resources and remuneration policy**

As at 31 March 2023, the Group had a total workforce of 378 (2022: 393). The total staff cost, including Directors' emoluments and mandatory provident fund contributions, amounted to HK\$46,648,000 (2022: HK\$72,688,000). Employees are remunerated based on their performance and experience. Remuneration package is determined by reference to market conditions and individual performance. In order to align the interests of staff, Directors and consultants with the Group, share options may be granted to staff, Directors and consultants under the Group's share option scheme (the “**2012 Share Option Scheme**”). There were no share options outstanding under the 2012 Share Option Scheme as at 31 March 2023. The 2012 Share Option Scheme has expired on 16 August 2022, ten years from the date of its adoption.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for those Hong Kong employees who are eligible to participate in the MPF Scheme, and follows the national pension system (“**National Pension System**”) for the employees of the Group’s subsidiaries which operate in Japan, contributions of which are made based on a percentage of the employees’ basic salaries, and the employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme (the “**Central Pension Scheme**”, together with the MPF Scheme and National Pension System, the “**Defined Contribution Schemes**”) operated by the local municipal government, in which these subsidiaries are required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Central Pension Scheme. The contributions by the Group for the Defined Contribution Schemes are charged to the statement of profit or loss as they become payable in accordance with the relevant rules of the respective schemes.

The Group’s contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 March 2022 and 31 March 2023, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 March 2022 and 31 March 2023. For each of the two years ended 31 March 2022 and 31 March 2023, the Group did not have any defined benefit plan.

### **Charge on Asset and Contingent Liabilities**

As at 31 March 2023, the Chongqing Property was pledged to secure banking borrowings granted to Chongqing Kingstone. As at 31 March 2023, the Group had no material contingent liabilities.

### **SIGNIFICANT INVESTMENTS HELD**

Save as disclosed above, the Group held no significant investment as at 31 March 2023.

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

Save as disclosed herein, for FY23, there were no other material acquisitions and disposal of subsidiaries, associates or joint ventures by the Group.

### **CAPITAL STRUCTURE**

Save as disclosed herein, there has been no change in the capital structure of the Group during FY23. The capital of the Group only comprises ordinary shares.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 March 2023. To ensure Directors’ dealings in the securities of the Company (the “**Securities**”) are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

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

## **AUDIT COMMITTEE**

The audit committee, which comprises three independent non-executive directors of the Company, has reviewed with the management in conjunction with the auditor, the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended 31 March 2023.

## **PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES**

Save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2023.

## CORPORATE GOVERNANCE CODE

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interest of all of its stakeholders, and the Board is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules.

Save as disclosed below, the Company has complied with all the code provisions in the CG Code during the Period except the following deviation:

Under code provision C.2.1 of the Code, the roles of the chairman and the chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Hu Xingrong was the Chairman while the role of the Chief Executive Officer (the “**CEO**”) was performed by Mr. Xu Haohao for the period from 1 April 2022 to 19 August 2022. The Chairman focuses on the business strategy and direction of the Company and has executive responsibilities, provides leadership for the Board and ensures proper and effective functioning of the Board in discharging of its responsibilities. The CEO is accountable to the Board for the overall implementation of the Company's strategies and the coordination of overall business operations.

Since 20 August 2022, the post of CEO has been vacant, and the executive Directors and the senior management have been delegated with the authority and responsibility by the Board for the day-to-day operations of the Group while reserving certain key matters for the approval by the Board. After evaluation of the current situation of the Company and considering of the board composition, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for such arrangement as it helps to maintain the continuity of the policies and the stability of the operations of the Company.



## PROSPECTS

Entering 2023, with the weakened impact from the pandemic, personal travel have resumed, consumption activities have gradually returned to normal, and the economy seems to be heading towards a full recovery. It is expected that the occupancy rate of the Group's serviced apartment operations in Chongqing will hit new highs and the operation of hotels and resorts in Hokkaido, Japan will be further improved. In the future, the Group will continue to focus on (i) monitoring the financial performance of the existing business; (ii) reduce operating expenses and fees; and (iii) improving the profitability of each asset to generate stable income and cashflow, and lowering the gearing ratio and financial costs.

In addition, the Group will also proactively look for more investment and merger and acquisition opportunities with growth potential, so as to improve the overall financial performance and diversify the investment portfolio, and thereby achieve the goal of diversifying risks and creating better value for the shareholders.

## EVENT AFTER REPORTING PERIOD

### Renewal of Continuing Connected Transactions

Reference is made to the announcement of the Company dated 24 February 2021 and the circular of the Company dated 12 March 2021 relating to, inter alia, the master agreement entered into between the Company and Mr. Hu Xingrong (“**Mr. Hu**”) dated 24 February 2021, in respect of the property management services and decoration and renovation engineering services provided by the companies within the Group (the “**Group Companies**”) to Mr. Hu and Mr. Hu's direct or indirect wholly owned or 30%-controlled companies (the “**Mr. Hu Controlled Companies**”) and had expired on 31 March 2023.

The Directors expect that the Group Companies will continue to provide said services to Mr. Hu and Mr. Hu Controlled Companies from time to time. In this connection, on 16 June 2023 (after trading hours), the Company and Mr. Hu entered into a new master agreement (“**Master Agreement**”) pursuant to which the Group Companies shall provide the services to Mr. Hu and the Mr. Hu Controlled Companies during the period commencing from 16 June 2023 (or upon fulfilment of all conditions precedent of the Master Agreement, whichever later) and ending on 31 March 2026 (both days inclusive) unless otherwise terminated earlier or renewed in accordance with the Master Agreement.

Mr. Hu is an executive Director and the ultimate controlling shareholder of the Company and thus a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, circular, annual review, and independent shareholders' approval requirements thereunder.

Details of the transaction is published on the Company's announcement dated 16 June 2023.

## **BOARD OF DIRECTORS**

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

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

Hong Kong, 28 June 2023

Remark:

*This results announcement is published on the website of the Company at [www.msil.com.hk](http://www.msil.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk).*