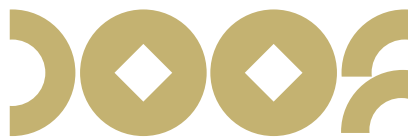


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MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024
AND RESUMPTION OF TRADING**

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 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	3	126,710	137,137
Cost of sales		<u>(110,102)</u>	<u>(126,702)</u>
Gross profit		16,608	10,435
Other income and (losses) gains, net	5	(2,115)	202
Decrease in fair value of financial asset at fair value through profit or loss		–	(2,541)
Selling expenses		(13,887)	(11,399)
Administrative expenses		(55,642)	(67,675)
Impairment loss on trade and other receivables		(615)	(1,535)
Impairment loss on right-of-use assets		(15,776)	–
Impairment loss on property, plant and equipment		(46,917)	–
Impairment loss on properties held for sale		(45,793)	(46,994)
Decrease in fair value of investment properties		(244,684)	(193,891)
Finance income	6	30	47
Finance costs	6	<u>(137,224)</u>	<u>(167,920)</u>
Loss before tax	7	(546,015)	(481,271)
Income tax expense	8	<u>(5,508)</u>	<u>(2,054)</u>
Loss for the year		<u><u>(551,523)</u></u>	<u><u>(483,325)</u></u>
Loss for the year attributable to:			
Equity holders of the Company		(551,828)	(482,922)
Non-controlling interest		<u>305</u>	<u>(403)</u>
		<u><u>(551,523)</u></u>	<u><u>(483,325)</u></u>
LOSS PER SHARE			
– basic and diluted (<i>HK cents</i>)	9	<u><u>(85)</u></u>	<u><u>(75)</u></u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss for the year	(551,523)	(483,325)
Other comprehensive expenses		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of foreign operations	<u>(24,084)</u>	<u>(104,598)</u>
Total comprehensive expenses for the year	<u>(575,607)</u>	<u>(587,923)</u>
Total comprehensive expenses for the year attributable to:		
Equity holders of the Company	(575,984)	(587,601)
Non-controlling interest	<u>377</u>	<u>(322)</u>
	<u>(575,607)</u>	<u>(587,923)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets			
Investment properties		1,280,227	1,620,189
Property, plant and equipment		441,299	540,205
Financial asset at fair value through profit or loss		–	–
Right-of-use assets		147,023	179,660
Intangible assets		1,615	1,652
Other receivables	<i>11</i>	–	5,177
		1,870,164	2,346,883
Current assets			
Properties held for sale		306,986	379,983
Inventories		81	147
Trade and other receivables	<i>11</i>	37,969	26,975
Contract assets	<i>11</i>	7,768	18,913
Amounts due from related companies		14,138	9,614
Cash and cash equivalents		19,044	32,869
		385,986	468,501
Current liabilities			
Trade and other payables	<i>12</i>	145,870	184,972
Amounts due to related companies		21,552	2,335
Tax payables		144,383	151,182
Bank and other borrowings	<i>13</i>	1,382,419	123,047
Lease liabilities		344	2,261
		1,694,568	463,797
Net current (liabilities) assets		(1,308,582)	4,704
Total assets less current liabilities		561,582	2,351,587

	<i>Notes</i>	2024 HK\$'000	2023 <i>HK\$'000</i>
Non-current liabilities			
Deferred income tax liabilities		10,224	12,703
Promissory notes	<i>14</i>	903,862	912,052
Bank and other borrowings	<i>13</i>	77,277	1,338,441
Unsecured borrowings from a director	<i>15</i>	498,633	477,516
Lease liabilities		–	8,639
		<u>1,489,996</u>	<u>2,749,351</u>
		<u>(928,414)</u>	<u>(397,764)</u>
Capital and reserves			
Share capital	<i>17</i>	323,599	323,599
Reserves		<u>(1,250,960)</u>	<u>(719,933)</u>
Equity attributable to owners of the Company		(927,361)	(396,334)
Non-controlling interest		<u>(1,053)</u>	<u>(1,430)</u>
		<u>(928,414)</u>	<u>(397,764)</u>

NOTES

For the year ended 31 March 2024

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group reported net loss of HK\$551,523,000 for the year ended 31 March 2024 and as at 31 March 2024, the Group had net liabilities of approximately HK\$928,414,000, of which approximately HK\$1,374,641,000 of bank borrowing was in default and the lender has the right to demand immediate repayment of the entire outstanding balance as at 31 March 2024. Subsequent to the end of the reporting period, the Group also failed to repay construction payable with an outstanding amount of HK\$14,522,000 as at 31 March 2024. Moreover, the Group is involved in litigations requesting the Group to settle the defaulted borrowing along with interests and the construction payable. Details of litigations are in the notes 13 and 18 to this annual results announcement. As at 31 March 2024, the Group's cash and cash equivalents amounted to approximately HK\$19,044,000 only.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remedy delayed repayments to the bank and construction supplier. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the following measures:

- (a) The Group has been communicating with the bank and construction supplier to rearrange the repayment schedules of defaulted bank borrowing and construction payable;
- (b) Provision of the drawdown of the Group's unused loan facilities with Mr. Hu of approximately HK\$600,949,000 (note 15), 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 approximately HK\$32,416,000 (note 13), which will expire in December 2025;
- (d) The Group will implement further cost reduction measures to minimise the operating costs and retain resources for the Group's properties management and renovation business which shall provide positive cash flows to maintain the Group's operations. 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.

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (the “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 2023.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to Hong Kong Accounting Standard (“HKAS”) 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

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

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group’s financial performance and positions, but has affected the disclosures of accounting policies.

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:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
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 ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ⁴
HKFRS 18	Presentation and Disclosure in Financial Statements ⁵
HKFRS 19	Subsidiaries without Public Accountability: Disclosure ⁵

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2026.

⁵ Effective for annual periods beginning on or after 1 January 2027.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE

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

	For the year ended 31 March 2024				Total <i>HK\$'000</i>
	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>	
Type of goods and services					
– Sales of properties	3,481	–	–	–	3,481
– Operation of serviced apartments	35,904	–	–	–	35,904
– Property management services	–	31,037	–	–	31,037
– Renovation and decoration services	–	–	39,501	–	39,501
– Hotel room	–	–	–	3,010	3,010
– Restaurant operations	–	–	–	912	912
– Golf club operations	–	–	–	5,457	5,457
– Other	–	–	–	153	153
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	39,385	31,037	39,501	9,532	119,455
Rental income for investment properties under operating lease					
– Fixed lease payments	7,146	–	–	–	7,146
– Variable lease payments that do not depend on an index or a rate	109	–	–	–	109
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	<u>46,640</u>	<u>31,037</u>	<u>39,501</u>	<u>9,532</u>	<u>126,710</u>

	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	
Type of goods and services					
– 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 a 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>

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 segments 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 2024

	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>
REVENUE					
Revenue from external customers	<u>46,640</u>	<u>31,037</u>	<u>39,501</u>	<u>9,532</u>	<u>126,710</u>
Segment (loss) profit	<u>(488,349)</u>	<u>3,082</u>	<u>2,927</u>	<u>(6,433)</u>	(488,773)
Unallocated income					1
Unallocated expenses					<u>(57,243)</u>
Loss before tax					<u>(546,015)</u>

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>
REVENUE					
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>	<u>(404,924)</u>
Unallocated income					16
Unallocated expenses					<u>(76,363)</u>
Loss before tax					<u>(481,271)</u>

Segment assets and liabilities

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Segment assets		
Chongqing property	2,152,444	2,694,425
Property management services	36,089	27,123
Renovation and decoration	15,988	28,582
Hotel operation in Japan	47,955	58,059
Unallocated assets	3,674	7,195
Total consolidated assets	<u>2,256,150</u>	<u>2,815,384</u>
Segment liabilities		
Chongqing property	2,133,545	2,164,948
Property management services	107,808	8,951
Renovation and decoration	21,787	34,404
Hotel operation in Japan	15,661	17,063
Unallocated liabilities	905,763	987,782
Total consolidated liabilities	<u>3,184,564</u>	<u>3,213,148</u>

5. OTHER INCOME AND (LOSSES) GAINS, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Forfeited deposit income	3,270	–
Government grants	70	288
Exchange loss, net	(12)	(1,930)
Loss on termination of lease	(7,524)	–
Others	2,081	1,844
	<u>2,081</u>	<u>1,844</u>
	<u>(2,115)</u>	<u>202</u>

6. FINANCE INCOME AND FINANCE COSTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Finance income:		
– Bank interest income	<u>30</u>	<u>47</u>
Finance costs:		
– Interest on bank and other borrowings	74,296	94,148
– Interest on unsecured borrowings from a director	25,801	28,987
– Interest on promissory notes	36,767	44,000
– Interest on lease liabilities	360	785
	<u>137,224</u>	<u>167,920</u>

7. LOSS BEFORE TAX

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Staff costs (including directors and chief executive of the Company)		
– salaries and other allowances	40,882	39,673
– retirement benefits schemes contributions	5,186	6,975
	<u>46,068</u>	<u>46,648</u>
Cost of properties recognised as an expense	4,274	8,958
Auditor's remuneration		
– Statutory audit services	1,500	1,750
– Other services	160	200
Loss on disposal of property, plant and equipment	–	19
Impairment loss on other receivables	615	1,067
Impairment loss on trade receivables	–	468
Depreciation of property, plant and equipment	21,285	33,830
Depreciation of right-of-use assets	5,808	5,774
Gross rental income from investment properties	(7,255)	(5,095)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	<u>10,077</u>	<u>11,731</u>

8. INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current income tax		
– PRC Enterprise Income Tax	2,628	2,690
– PRC Land Appreciation Tax	3,851	87
	<u>6,479</u>	<u>2,777</u>
Deferred tax	<u>(971)</u>	<u>(723)</u>
	<u>5,508</u>	<u>2,054</u>

Hong Kong Profits Tax

No Hong Kong Profits Tax has been provided since no assessable profits have been generated during the years ended 31 March 2024 and 2023.

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 2024 and 2023.

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 2024 and 2023 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:

	2024	2023
	HK\$'000	HK\$'000
Loss		
Loss for the year attributable to equity holders of the Company for the purpose of basic and diluted loss per share	<u>(551,828)</u>	<u>(482,922)</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>647,199</u>	<u>647,199</u>

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

No potential dilutive shares in issue during the years ended 31 March 2024 and 2023, basic and diluted loss per share are the same for both years.

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2024, nor has any dividend been proposed since the end of the reporting period (2023: nil).

11. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	22,294	19,069
Less: allowance for impairment of trade receivables	<u>(4,938)</u>	<u>(4,721)</u>
	<u>17,356</u>	<u>14,348</u>
Deposits and other receivables	20,950	17,771
Less: allowance for impairment of other receivables	<u>(1,682)</u>	<u>(1,067)</u>
Prepayments	<u>1,345</u>	<u>1,100</u>
	<u>20,613</u>	<u>17,804</u>
Total trade and other receivables	37,969	32,152
Portion classified as current assets	<u>(37,969)</u>	<u>(26,975)</u>
Non-current portion	<u>–</u>	<u>5,177</u>
Contract assets	<u>7,768</u>	<u>18,913</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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 – 30 days	15,026	8,512
31 – 90 days	997	5,168
91 – 180 days	424	668
More than 180 days	<u>909</u>	<u>–</u>
	<u>17,356</u>	<u>14,348</u>

12. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	10,582	10,910
Construction costs accruals and payables	55,105	88,940
Contract liabilities	3,579	2,915
Other accruals and payables	76,604	82,207
	<u>145,870</u>	<u>184,972</u>

13. BANK AND OTHER BORROWINGS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other borrowings – unsecured	85,055	72,199
Bank borrowing – secured	1,374,641	1,389,289
	<u>1,459,696</u>	<u>1,461,488</u>
Current:		
Unsecured other borrowings – principal portion (<i>note (i)</i>)	2,700	12,996
Unsecured other borrowings – interest portion (<i>note (i)</i>)	5,078	4,526
Secured bank borrowing – principal portion (<i>note (ii)</i>)	1,307,597	102,600
Secured bank borrowing – interest portion (<i>note (ii)</i>)	67,044	2,925
	<u>1,382,419</u>	<u>123,047</u>
Non-current:		
Unsecured other borrowings – principal portion (<i>notes (i) and (iii)</i>)	69,096	50,777
Unsecured other borrowings – interest portion (<i>notes (i) and (iii)</i>)	8,181	3,900
Secured bank borrowing – principal portion (<i>note (ii)</i>)	–	1,283,764
	<u>77,277</u>	<u>1,338,441</u>
Total bank and other borrowings	<u>1,459,696</u>	<u>1,461,488</u>

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

	2024	2023
	HK\$'000	HK\$'000
Within 1 year or on demand	1,382,419	123,047
More than 1 year but less than 2 years	77,277	102,600
More than 2 years but less than 5 years	–	362,477
More than 5 years	–	873,364
	<u>1,459,696</u>	<u>1,461,488</u>

- (i) The unsecured other borrowings as at 31 March 2024 represented the unsecured borrowings from related companies, which are beneficially owned by Mr. Hu, with totalling outstanding principal amount of RMB3,900,000 (2023: RMB11,400,000), equivalent to HK\$4,212,000 (2023: HK\$12,996,000) carrying fixed interest rate of 15% per annum (2023: 15% per annum); and total interest payable of RMB5,315,000 (2023: RMB3,970,000), equivalent to HK\$5,739,000 (2023: HK\$4,526,000), which are repayable on the maturity date.

As of 14 May 2023, the repayment date for the outstanding principal amount of RMB1,400,000, equivalent to HK\$1,512,000 and interest payable of RMB612,000, equivalent to HK\$661,000, both as at 31 March 2024, has been extended from 14 May 2023 to 14 May 2025. All other terms remain unchanged.

As of 20 November 2023, the repayment date for the outstanding principal amount of RMB2,500,000, equivalent to HK\$2,700,000 and interest payable of RMB4,703,000, equivalent to HK\$5,078,000, both as at 31 March 2024, has been extended from 20 November 2023 to 20 November 2024. All other terms remain unchanged.

- (ii) The secured bank borrowing with total principal amount of RMB1,210,738,000 (2023: RMB1,216,109,000), equivalent to HK\$1,307,597,000 (2023: HK\$1,386,364,000).

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 of 5.3% per annum with interest payable quarterly while the other terms of the secured bank borrowing remained unchanged and will mature on 30 March 2035 based on the borrowing agreement.

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.

	2024	2023
	HK\$'000	HK\$'000
Property, plant and equipment	398,767	485,625
Properties held for sale	306,986	379,983
Right-of-use assets	147,023	178,764
Investment properties	<u>1,280,227</u>	<u>1,607,478</u>

As at 31 March 2024, the Group's secured bank borrowing with carrying amount of approximately HK\$1,307,597,000 (2023: HK\$1,386,364,000) 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.

During the year ended 31 March 2024, the Group breached certain terms of the bank borrowing, which are primarily related to the default payment of the Group. As a result of the above breach, the bank has right to demand immediate repayment based on the borrowing agreement, and as a result, the bank has the right to serve a notice and require the Group to repay the entire principal and defaulted interest of HK\$1,374,641,000 as at 31 March 2024 and the interest rate including the defaulted interest was 7.425% per annum. The bank has initiated legal proceedings against the Group to recover the outstanding loan amount owed to them. Details of the legal proceedings are set out in note 18 to this annual results announcement.

- (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 2024, unsecured revolving loan facility with aggregate principal amount of approximately HK\$67,584,000 (2023: HK\$50,777,000) has been drawn down and interest payable of approximately HK\$7,520,000 (2023: HK\$3,900,000), which will be repayable on the maturity date. The remaining loan facility with principal amount of approximately HK\$32,416,000 (2023: HK\$49,223,000) has not yet been utilised.

14. PROMISSORY NOTES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Promissory notes:		
– More than 1 year but less than 2 years	<u>903,862</u>	<u>912,052</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.

On 1 December 2023, the Company and Total Idea entered into a side letter on which the interest rate of promissory notes shall accrue from 8% to 4% per annum with effect from 1 December 2023 and up to the maturity date. Details are set out in the Company's announcement dated 1 December 2023.

15. UNSECURED BORROWINGS FROM A DIRECTOR

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Unsecured borrowings denominated in RMB (<i>note (i)</i>)		
– principal portion	363,051	362,205
– interest portion	120,817	100,546
	<u>483,868</u>	<u>462,751</u>
Unsecured borrowing denominated in HK\$ (<i>note (ii)</i>)		
– interest portion	14,765	14,765
	<u>14,765</u>	<u>14,765</u>
	<u>498,633</u>	<u>477,516</u>
Amounts shown under current liabilities	–	–
Amounts shown under non-current liabilities	498,633	477,516
	<u>498,633</u>	<u>477,516</u>

- (i) On 1 June 2018 and 29 August 2018, an unsecured revolving loan facility with an aggregate facility amount of RMB500,000,000 has been granted from Mr. Hu to certain subsidiaries established in the PRC which carries a fixed interest rate of 9% per annum, which will be repayable on the maturity date.

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 while the other terms remained unchanged.

On 14 March 2023, the maturity date of the above-mentioned loan facility has been further extended to 31 December 2025 while the other terms remained unchanged.

On 27 June 2023, an additional facility amount of RMB300,000,000 has been granted from Mr. Hu to certain subsidiaries established in the PRC.

On 1 October 2023, the fixed interest rate is adjusted down from 9% to 5% per annum for the period from 1 October 2023 to 31 March 2024. Afterwards, it is carried at 9% per annum.

As at 31 March 2024, unsecured borrowings with aggregate principal amount of RMB336,158,000 (2023: RMB317,723,000), equivalent to approximately HK\$363,051,000 (2023: HK\$362,205,000), has been drawn down, remaining approximately RMB463,842,000 (2023: RMB182,277,000), equivalent to approximately HK\$500,949,000 (2023: HK\$207,795,000), has not yet utilised.

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

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

As at 31 March 2024, none of the facility (2023: nil) has been drawn down.

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

	2024 HK\$'000	2023 <i>HK\$'000</i>
Fixed rate – expiring on 31 December 2025	<u>600,949</u>	<u>307,795</u>

16. CAPITAL COMMITMENT

	2024 HK\$'000	2023 <i>HK\$'000</i>
Capital expenditure in respect of refurbishment of properties contracted but not provided for in the consolidated financial statements	<u>4,236</u>	<u>7,351</u>

17. SHARE CAPITAL

	Number of shares '000	Share capital <i>HK\$'000</i>
Ordinary shares		
Authorised		
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024 (<i>Par value of HK\$0.5 each</i>)	<u>1,000,000</u>	<u>500,000</u>
Issued and fully paid		
At 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024 (<i>Par value of HK\$0.5 each</i>)	<u>647,199</u>	<u>323,599</u>

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

18. LITIGATIONS

- (i) The Group breached certain of the terms of the bank borrowing, which are primarily related to the default payment of the Group. The financial institution (the “**Bank**”) has initiated legal proceedings against the Group to recover the outstanding loan amount owed to them on 31 August 2023 (the “**Legal Proceedings**”).

On 27 June 2024, a hearing was held at the Chengyu Financial Court* (成渝金融法院) (the “**Court**”) in respect of the Legal Proceedings. On 24 July 2024, the Company has received a judgment (“**Judgment**”) handed down by the Court in respect of the Legal Proceedings. Pursuant to the Judgment, the Court has ordered, (i) the Group to repay the outstanding principal and interests as of 31 May 2024 which approximate to HK\$1,413,568,000 (equivalent to RMB1,308,861,000), and the outstanding interests for the period from 1 June 2024 until date of settlement (collectively, the “**Judgment Debt**”) to the Bank within 10 days from the effective date of the Judgment; (ii) that the Bank is entitled to enforce its rights under the mortgage in respect of the pledged properties for repayment of the Judgment Debt; and (iii) the Group and Mr. Hu to jointly bear the legal fees of HK\$6,735,000 (equivalent to RMB6,236,000) of which has not yet been recognised in the profit or loss for the year ended 31 March 2024.

On 7 August 2024, the Group lodged an appeal against the Judgment at the Chongqing City People’s Supreme Court (重慶市高級人民法院). For further details on the Legal Proceedings, please refer to the Company’s announcements dated 5 June 2024, 6 June 2024, 27 June 2024, 24 July 2024, and 7 August 2024.

The directors of the Company are of the opinion that, after considering legal advice, the Group has defended against the claims, along with viable counterclaims. As of the date of these consolidated financial statements, the Legal Proceedings have not been concluded.

- (ii) The Group is embroiled in a legal dispute with the contractor concerning a construction payable of approximately HK\$14,522,000 and the certain units of the properties held for sales of the Group were sealed as at 31 March 2024 based on court orders. Subsequent to the reporting period, these units were potentially subject to auction proceedings due to court orders, but no further auction-related actions had been taken as of date of this annual results announcement, with the units neither listed for auction nor sold. The Group is actively engaging with the contractor to restructure the payment terms and repaid partial outstanding construction payable subsequently. The directors of the Company are of the opinion that the net realisable value of the sealed properties is sufficient to settle the outstanding amount, and no additional liabilities are anticipated to be incurred.

* *For identification purpose only*

SCOPE OF WORK OF CCTH 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 2024 as set out in this preliminary announcement have been agreed by the Company’s auditor, CCTH CPA Limited (“CCTH”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by CCTH 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 CCTH on the preliminary announcement.

EXTRACT FROM INDEPENDENT AUDITOR’S REPORT PREPARED BY THE INDEPENDENT AUDITOR

The following is an extract of the independent auditor’s report for the year ended 31 March 2024 from the external auditor of the Company:

“Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Material Uncertainties Relating to Going Concern

As described in note 2 to the consolidated financial statements, the Group reported net loss of approximately HK\$551,523,000 for the year ended 31 March 2024 and as at 31 March 2024, the Group had net liabilities of approximately HK\$928,414,000, of which approximately HK\$1,374,641,000 of bank borrowing was in default and the lender has the right to demand immediate repayment of the entire outstanding balance as at 31 March 2024. Subsequent to the end of the reporting period, the Group also failed to repay construction payable with an outstanding amount of HK\$14,522,000 as at 31 March 2024. Moreover, the Group is involved in litigations requesting the Group to settle the defaulted borrowing along with interests and the construction payable. Details are set out in notes 2, 28 and 42 to the consolidated financial statements. As at 31 March 2024, the Group’s cash and cash equivalents amounted to approximately HK\$19,044,000 only. These conditions, together with the other matters as described in the notes 2, 28 and 42 to the consolidated financial statements, indicated the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

The directors of the Company have been undertaking a number of plans and measures to improve the Group's liquidity and financial position to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. The consolidated financial statements had been prepared on a going concern basis, the validity of which depends on the outcome of those plans and measures, which are subject to material uncertainties, including (i) rearrange the repayment schedules of defaulted bank borrowing and construction payable, (ii) financial abilities of Mr. Hu and his related companies to provide unused facility amounts and (iii) implement of further cost reduction measures.

However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the events or conditions underpinning the cash flow forecast of the Group for going concern assessment are reasonable and supportable, due to the lack of sufficient supporting basis from management, including the consent from bank and construction supplier to rearrange the repayment schedules of the bank borrowing and construction payable and the high uncertainty arising from litigations. Hence, we were unable to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements by the management of the Group.

Should the Group fail to continue as a going concern, adjustments would have to be made to write down the carrying values 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. The effects of these adjustments have not been reflected in these consolidated financial statements.”

Actions taken by CCTH following its appointment

As disclosed in the announcement of the Company dated 12 July 2024, SHINEWING (HK) CPA Limited (“SHINEWING”) has resigned as the auditor of the Company with effect from 12 July 2024. Pursuant to its letter of resignation, SHINEWING indicated that during the audit of the financial statements of the Group for the year ended 31 March 2024 (“FY2024”), they had not obtained the following outstanding information to complete the auditing process: (1) sufficient supporting information for determination of the fair value measurement of the Chongqing Property (as defined below) which was pledged to the Lender (as defined below) in support of the Loan (as defined below), as well as assessment of impairment loss or decrease in fair value of the Chongqing Property to be recognised for FY2024 in light of the Legal Proceedings (as defined below); (2) updated legal opinion based on the on-going development of the Legal Proceedings as well as details of the Group's other litigations and contingent liabilities, if any; (3) sufficient supporting information relating to the cash flows forecast of the Group for a period of not less than 12 months from 31 March 2024; and (4) detailed management's plans and measures in relation to the going concern assessment.

(1) Sufficient supporting information for determination of the fair value measurement of the Chongqing Property which was pledged to the Lender in support of the Loan, as well as assessment of impairment loss or decrease in fair value of the Chongqing Property to be recognised for FY2024 in light of the Legal Proceedings

In evaluating the fair value measurement of the property being pledged (“Pledged Assets”), the Group appointed an independent valuer to conduct the fair value assessment of the Pledged Assets and subsequently engaged another independent valuer to review the underlying assumptions and the fair value assessment. In assessing the fair value of the Pledged Assets, CCTH evaluated the competence, capabilities, and objectivity of the independent valuers and gained an understanding of the valuation process and techniques employed by the valuers to determine if they align with industry norms. CCTH also made inquiries to the valuers to assess the reasonableness of the significant unobservable inputs and validate the accuracy of the data source utilised by the management and the valuers by comparing them, on a sampling basis, to publicly available information on similar comparable properties where relevant. CCTH also reviewed the legal opinion as mentioned in paragraph (2) below in assessing the fairness of the basis and assumptions of the valuation.

(2) Updated legal opinion based on the on-going development of the Legal Proceedings as well as details of the Group’s other litigations and contingent liabilities

Regarding the Legal Proceedings, as detailed in the Company’s announcements dated 5 June 2024, 6 June 2024, 27 June 2024, 24 July 2024, and 7 August 2024, the Group has filed an appeal against the judgment issued by the Chengyu Financial Court on 7 August 2024. Based on the legal opinion of the Group’s PRC legal advisers, the Group has defended against the claims, and the potential exposure from the Legal Proceedings as of 31 March 2024 was accurately represented in the Group’s financial statements for the FY2024.

Furthermore, the Company has subsequently engaged another legal firm to review the legal opinion. CCTH has examined the legal opinions and relevant associated documents related to the Legal Proceedings. In addition, the Group provided litigation summary to CCTH, CCTH had performed litigation searches and obtained all the related documents in relation thereto for assessing the possible financial impacts on the Group.

(3) Sufficient supporting information relating to the cash flows forecast of the Group for a period of not less than 12 months from 31 March 2024 and (4) detailed management’s plans and measures in relation to the going concern assessment

The Group has provided CCTH with a cash flow forecast from 31 March 2024 to 30 September 2025, inclusive of detailed analysis for each operating segment, underlying assumptions and forecasted financial performance. The Group has also formulated plans to initiate negotiations with banks and other lenders to enhance liquidity of the Group.

However, as of the date of the consolidated financial statements, CCTH has expressed concerns regarding the Group’s ability to successfully negotiate repayment renewals or extensions with the lenders, encompassing the construction payables, defaulted bank borrowings, and associated interest. As a result, CCTH has issued a disclaimer opinion concerning the Group’s going concern.

Audit Committee’s view on CCTH’s audit procedures

The Audit Committee was aware of the time delay and CCTH conducted a comprehensive assessment prior to the official appointment date on 12 July 2024 and maintained ongoing communication with the Board regarding the circumstances and issues. During the planning meeting with Audit Committee, CCTH presented in detail the work performed or to be performed regarding the matters stated in the resignation letter from SHINEWING, including additional procedures. Audit Committee is satisfied that CCTH has conducted sufficient audit procedures.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

The Board is pleased to report the results of the Group for the year ended 31 March 2024 (“FY24”). During FY24, basic loss per share was HK\$0.85 (for the year ended 31 March 2023 (“FY23”) basic loss per share was HK\$0.75), and total comprehensive expenses was approximately HK\$(575,607,000) (FY23: HK\$587,923,000).

Business Review

During FY24, the Group had engaged in four business streams including (i) property development, sales and leasing of properties in Chongqing; (ii) provision of property management services; (iii) provision of renovation and decoration services; and (iv) hotel and golf club operations in Hokkaido, Japan, to create diversified income sources for the Group.

Chongqing Property

Revenue for FY24: approximately HK\$46,640,000 (FY23: approximately HK\$40,929,000)

Chongqing Kingstone Land Co., Ltd. (重慶皇石置地有限公司) (the “**Chongqing Kingstone**”), an indirect wholly owned subsidiary of the Company, holds a property located at 77 Qingnian Road, Yuzhong District, Chongqing city, the People’s Republic of China (the “**PRC**”) (the “**Chongqing Property**”). It is just a short distance away from the bustling Jiefangbei Central Business District and is within walking distance to famous attractions, pedestrian lane and accessible to the city’s metro network.

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

Included in Chongqing Property, the shopping mall is classified as “Investment Properties”, the fair value of which amounted to approximately HK\$1,280,227,000 as at 31 March 2024, which accounted for approximately to 56.74% of total assets of the Group.

Currently, as the overall domestic real estate industry remains sluggish, coupled with the ongoing economic downturn, public purchasing interest continues to decline, and majority of our targeted customers inclined to wait and see. Notwithstanding the adverse market conditions, instead of lowering prices of the residential apartments of our projects in response to market conditions, we maintain a selling price that is well matched their quality. As a result, the sale of our residential apartments was not satisfactory for FY24. We currently continue to explore and practice the approach of “sales + operation” to increase income and revitalise our assets. Our serviced apartments have an average occupancy rate of over 80% during FY24, outperforming surrounding hotels of the same category. The investment attraction and opening rate of our shopping mall improved, and its customer traffic and income gradually increased. Sales from apartments and rental income from serviced apartments and shopping mall will remain as steady income sources of the Group in the long run.

Chongqing Kingstone (as borrower) entered into a loan agreement (the “**Loan Agreement**”) with a financial institution (the “**Lender**”) dated 31 March 2020 in respect of a loan of the principal amount of RMB1,250 million (the “**Loan**”) for a term from 31 March 2020 to 30 March 2035. The Loan was secured by, among other things, a mortgage over the Chongqing Property and a personal guarantee provided by Mr. Hu Xingrong (“**Mr. Hu**”), the controlling shareholder and an executive director of the Company. On 5 June 2024, Chongqing Kingstone received a formal hearing notice from Chengyu Financial Court* (成渝金融法院) (the “**Court**”) at Chongqing City in the PRC that a hearing in respect of legal proceedings (“**Legal Proceedings**”) for recovery of the outstanding principal amount of the Loan of approximately RMB1,212 million due from Chongqing Kingstone, the related interests and other related expenses would be held at the Court on 6 June 2024.

On 6 June 2024, a hearing was held at the Court in respect of the Legal Proceedings. At the hearing, the parties submitted and exchanged evidence in support of their claims and since the parties had previously indicated their willingness to mediate, the Court directed the parties to try to reach a settlement outside of court within the next 20 days.

On 27 June 2024, a hearing was held at the Court in respect of the Legal Proceedings. At the hearing, the Court considered the claims put forward by the respective parties and ordered that a judgement (“**Judgment**”) will be handed down by the Court on another date to be determined by the Court.

On 24 July 2024, the Company has received a judgment handed down by the Court in respect of the Legal Proceedings. Pursuant to the Judgment, the Court has ordered, among other things, (i) Chongqing Kingstone to repay the outstanding principal amount of the Loan, the outstanding interests as of 31 May 2024, and the outstanding interests for the period from 1 June 2024 until date of settlement to the Lender within 10 days from the effective date of the Judgment; and (ii) that the Lender is entitled to enforce its rights under the mortgage in respect of the Chongqing Property for repayment of the judgment debt. The Judgment shall become effective if neither of the parties appeals within 15 days of its receipt of the Judgment.

On 7 August 2024, Chongqing Kingstone filed an appeal against the Judgment at the Chongqing City People’s Supreme Court (重慶市高級人民法院) (the “**People’s Supreme Court**”) within the prescribed period. As a result, the Judgment handed down by the Court on 24 July 2024 has not yet become effective.

Chongqing Kingstone has been carrying out its operations as usual in all material respects after the default of the Loan. The Company will continue to consult with its PRC legal advisers to proactively advocate and enforce its rights under the Legal Proceedings and to monitor the impact of the Legal Proceedings on the Group. In the meantime, the management of Chongqing Kingstone will continue to actively negotiate with the Lender for settling the dispute amicably and for revising the terms of the Loan Agreement.

The Company is optimistic about the outcome of the negotiation in view of the on-going feedback from the Lender during the negotiation process. If an agreement could be reached, it is expected that the Legal Proceedings will be settled and the revised terms of the Loan Agreement would be more favorable to the Group as compared to the existing terms thereof and the repayment schedule of the revised Loan Agreement would be similar to the existing term of full and final repayment in March 2035.

Property Management Services

Revenue for FY24: approximately HK\$31,037,000 (FY23: approximately HK\$36,907,000)

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. Founded in 2019, Zhejiang Huiyong Property Management Service Co., Ltd. (浙江暉永物業管理服務有限公司) ("**Huiyong Service**"), 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. It has been a member of the Chengdu Property Management Association of Sichuan Province and acts as the vice president of the Chenghua District Property Management Association of Chengdu City.

Huiyong Service provides diversified property management services and value-added services, covering Zhejiang, Jiangsu, Fujian, Jiangxi, Guizhou, Yunnan, Qinghai, Sichuan and other provinces in the PRC, with presences in a variety of property types including residential communities, retail premises, office premises, serviced apartments and public buildings, etc.

By following a market-oriented, professional and distinctive management model, Huiyong Service is engaged in property management and value-added services such as property management, leases, housekeeping services, water and electricity installation, and landscape greening engineering design, with commitment in providing professional services to customers. Huiyong Service believes in a "people-oriented, customer-first" service tenet, and adopts "paying attention to customer experience and focusing on service details" as its service concept, which implies it wins customer satisfaction with sincere and considerate services of its employees. Huiyong Service advocates humanity, supremacy, responsibility, pragmatism, professionalism and safety as its core values. Customer satisfaction is always the permanent pursuit of Huiyong Service. It strives to create a "safe", "comfortable" and "harmonious" property management atmosphere through "sincere" and "amicable" services.

In recent years, the property management industry has entered into a new development cycle, as affected by the profound adjustment of the domestic real estate industry. As a member in the domestic property management industry, Huiyong Service has been no exception. Although Huiyong Service's revenue declined as compared with the same period of last year, it has maintained a relatively reasonable profit level as its management continues to promote cost reduction and efficiency improvement to maintain its efficient operation. On the other hand, Huiyong Service's sales team is also actively exploring new operational channels and potential markets, looking forward to laying a solid foundation for Huiyong Service's further development in the coming year.

In 2024, while improving its level of management internally, the Huiyong Service will strengthen its brand influence externally, enlarge its service scope, and plans to seek cooperation opportunities with leading property development companies in the industry. Leveraging on the experience of the management team, Huiyong Service will also actively seek new business opportunities in the provision of management services for commercial properties in the PRC.

Renovation and Decoration

Revenue for FY24: approximately HK\$39,501,000 (FY23: approximately HK\$50,185,000)

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. (温州北宸建设有限公司) ("**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.

Beichen Construction specialises in decorative design and construction of hotels, shopping malls, office buildings, schools, hospitals, and other places. Its business is mainly located in Zhejiang Province, and is gradually expanding business to other provinces.

Affected by the adjustment period of the domestic real estate industry, the overall development of Beichen Construction in FY24 underperformed as compared with the same period of last year. However, Beichen Construction has completed several projects during FY24 with its exquisite craftsmanship and sound construction management, which was recognised by customers. During FY24, Beichen Construction also signed a number of engineering contracts, among which the decoration and renovation project of the comprehensive building of the affiliated school of Wenzhou Higher Education Mega Center was the first public construction project won by Beichen Construction in recent years, laying a foundation for Beichen Construction to develop various public construction projects in the future.

Hotel operation in Japan

Revenue for FY24: approximately HK\$9,532,000 (FY23: approximately HK\$9,116,000)

Tafutsu Kabushiki Kaisha* (株式会社多弗), an indirect wholly-owned subsidiary of the Company, operates a resort hotel at the Yoichi town of Hokkaido, Japan. Seasonal colors decorate this resort all year round and rooms are open up to the beautiful natural surroundings. The resort is also adjacent to an 18-hole golf course, which allows our guests to enjoy resort golfing.

During FY24, with the advent of the post-epidemic era, the world's macroeconomic situation has rebounded. If calculated in Japanese yen, our hotel revenue increased by approximately 10% as compared with last year. Such increase was mainly due to the facts that, on the one hand, the Japanese government introduced a series of policies to stimulate domestic tourism consumption, which enhanced the domestic people's desire for domestic travel, and on the other hand, the exchange rate of the Japanese yen against other major currencies in the world remained weak during the year, providing sufficient support for the recovery of tourism after the pandemic, thus creating a better operating environment for the post-pandemic recovery of the hotel.

As to operation management, the hotel has always adhered to the Group's philosophy and strategy of "taking root in the local market for common development", and continued to communicate and cooperate closely with local government body and business groups to promote the hotel and golf course, in an effort to expand the local customer base. At the same time, it has expanded new overseas source of customers by cooperating with travel agencies in the PRC, South Korea, Europe, the United States and Southeast Asia, etc. The management believes that the Hokkaido golf castle hotel, which is blessed with a uniquely beautiful natural environment, will steadily improve its profitability by leveraging its advantages of uniquely competitive integrated facilities of "hotel + golf course + restaurant" and continuously optimising its customer source structure.

Looking forward

Looking ahead, the management of Chongqing Property believes the real estate industry will continue to play a key role in the PRC's economy and the value of prime location in first tier cities will be solid. Follow the introduction of favourable strategies and policies by the PRC government to enlarge effective demands, implementing prudent monetary policies and proactive fiscal policies, the Group will capitalise the latest trend, make timely and optimise adjustments to marketing strategies for the residential apartments. Leveraging on the success of the operation of serviced apartment, the Group is keen on strengthening its competitiveness in the challenging retail industry, through continuous enhancement in the tenant mix and upgrade the environment of the shopping mall, which is connecting to the serviced apartment.

Huiyong Service will promote integration of technology into its business by mixed application of artificial intelligence, internet and analysis of big data on owners' preference and behavior, which aims to provide owners with a safe, efficient, comfortable, smart, comprehensive and pleasant experience. In addition, Huiyong Service will maintain its brand advantage and further strengthen its brand awareness by leveraging its reputation in the industry to expand its current market share as well as tap into commercial properties management market.

In recent years, although the renovation and decoration industry were deeply affected by the pandemic in the PRC, government support as part of the 14th Five-Year Plan is expected to bring the industry to new heights. The management of Beichen Construction will continue to take advantage of the foundation build up in recent years and will seek to expand its influence in its industry by further expanding in residential, commercial and public sectors projects.

The management of the Japan hotel are expecting increasing number of foreign visitors and durable domestic demand will further boost the average daily rates in future and further enhance the profitability of Japan Hotel operation.

Financial Review

Revenue, gross profit and gross profit margin

Revenue of the Group for FY24 amounted to approximately HK\$126,710,000 (FY23: approximately HK\$137,137,000), which comprised of sales and leasing income from the Chongqing Property, income from operation of a hotel in Japan, income from provision of property management service and income from provision of renovation and decoration services in the PRC. The decrease in revenue of approximately HK\$10,427,000 as compared to prior year was contributed primarily from the Group's property management services and renovation and decoration services.

The Group's gross profit for FY24 amounted to approximately HK\$16,608,000, representing an year-on-year increase of approximately 59.16%.

The Group's gross profit margin for FY24 was 13.11%, representing an increase of 5.50% as compared to that of prior year of 7.61%, which was mainly due to different gross profit margin levels resulted from different segments of business and an effective cost control strategy which had imposed to the Group.

Other income and (losses) gains, net

The Group's other income and (losses) gains, net primarily include (i) forfeited deposit income; (ii) government grants; and (iii) loss on termination of lease.

The Group's other income and (losses) gains, changed from net gains of approximately HK\$202,000 for FY23 to net losses of approximately HK\$2,115,000 for FY24, which was mainly due to a loss on termination of lease recognised in FY24.

Selling and administrative expenses

Selling and administrative expenses mainly comprised of selling expenses amounted to approximately HK\$13,887,000 (FY23: approximately HK\$11,399,000) and administrative expenses of approximately HK\$55,642,000 (FY23: approximately HK\$67,675,000).

The Group's selling expenses increased by 21.83% which was primarily due to recognition of a one-off lease incentive written-off expense which amounted to approximately HK\$2,517,000.

The Group's administrative expenses decreased by 17.78%, which were primarily due to full depreciation of certain plant and equipment in Chongqing Property in FY23 and decrease in salaries and related costs and legal and professional fee in FY24.

Impairment loss on trade and other receivables/right-of-use assets/property, plant and equipment/properties held for sale

The Group's provision for impairment loss on trade and other receivables for FY24 was HK\$615,000 (FY23: HK\$1,535,000).

The Group's provision for impairment loss on right-of-use assets, impairment loss on property, plant and equipment and properties held for sale for FY24 amounted to approximately HK\$15,776,000 (FY23: nil), HK\$46,917,000 (FY23: nil) and HK\$45,793,000 (FY23: approximately HK\$46,994,000) based on their net realisable values, which resulted from the adverse market conditions of the real estate industry in the PRC. The Group will review their values on a regular basis and believe their net realisable values will rebound once the market conditions turnaround.

Decrease in fair value of investment properties

The Group's decrease in fair value of investment properties for FY24 amounted to approximately HK\$244,684,000 (FY23: approximately HK\$193,891,000), representing an increase of approximately HK\$50,793,000 as compared to FY23, which was mainly due to a decline in commercial property values resulted from the weaker demand.

Loss and total comprehensive expenses for the year attributable to equity holders of the Company

The loss for the year attributable to the equity holders of the Company for FY24 worsened to approximately HK\$551,828,000 (FY23: approximately HK\$482,922,000) and the total comprehensive expenses for FY24 attributable to equity holders of the Company was approximately HK\$575,984,000 (FY23: approximately HK\$587,601,000) which was mainly attributable to (i) decrease in fair value of investment properties amounted to approximately HK\$244,684,000; (ii) impairment loss on property, plant and equipment amounted to approximately HK\$46,917,000; (iii) impairment loss on properties held for sales amounted to approximately HK\$45,793,000; and (iv) finance costs amounted to approximately HK\$137,224,000.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2024, the Group has funded its operations, working capital, capital expenditure and other capital requirements primarily from cash generated from its operations, mainly including proceeds from sale of property, receipt of leasing income from investment property, receipt from serviced apartment and hotel operations, property management services fee and renovation and decoration services fee, bank and other borrowings, unsecured borrowings from a director and promissory notes.

As at 31 March 2024, the Group's negative total equity was approximately HK\$928,414,000 (2023: approximately HK\$397,764,000), represented a decrease of approximately HK\$530,650,000 for FY24. This was mainly attributable to (i) exchange loss on translation of foreign operations of approximately HK\$24,084,000 as a result of a combination of Renminbi (“RMB”) and Japanese Yen (“JPY”) against Hong Kong dollars; and (ii) loss for the year attributable to equity holders of the Company for FY24 amounted to approximately HK\$551,828,000.

Cash position

As at 31 March 2024, The Group had cash and cash equivalent of approximately HK\$19,044,000 (FY23: approximately HK\$32,869,000). Cash and bank balances are mainly denominated in RMB.

Borrowings

As at 31 March 2024, the Group's total borrowings, comprising bank and other borrowings, promissory notes and unsecured borrowings from a director amounted to approximately HK\$2,862,191,000 (2023: approximately HK\$2,851,056,000), representing an increase of approximately HK\$11,135,000 as compared with 2023. The borrowings as at 31 March 2024 were denominated either in RMB or Hong Kong dollars (2023: same) and carried at interest rate of 4% to 15% per annum (2023: 5.3% to 15% per annum).

The following table sets forth the maturity profiles of the Group's borrowings as at the dates indicated:

	As at 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Repayable within 1 year or on demand	1,382,419	123,047
Repayable within 1 to 2 years	1,479,772	102,600
Repayable within 2 to 5 years	–	1,752,033
Repayable over 5 years	–	873,376
	<u>2,862,191</u>	<u>2,851,056</u>

As at 31 March 2024, the Loan, which amounted to RMB1,374,641,000 was reclassified to “Repayable on demand” from “Repayable within one year to over 5 years” in the same period last year due to Legal Proceedings. The Company is optimistic about the settlement of the Legal Proceedings and the repayment terms of the Loan Agreement would be similar to the existing term of final repayment in March 2035.

Net current (liabilities)/assets

As at 31 March 2024, the Group's net current liabilities amounted to approximately HK\$1,308,582,000 (2023: net current assets of HK\$4,704,000).

Specifically, the Group's total current assets decreased by approximately 17.61% from approximately HK\$468,501,000 as at 31 March 2023 to approximately HK\$385,986,000 as at 31 March 2024. The Group's total current liabilities increased by approximately 265.37% from approximately HK\$463,797,000 as at 31 March 2023 to approximately HK\$1,694,568,000 as at 31 March 2024.

The change from net current assets as at 31 March 2023 to net current liabilities as at 31 March 2024 was mainly attributable to (i) the decrease of approximately HK\$72,997,000 in properties held for sale primarily due to provision of impairment loss; (ii) the decrease of approximately HK\$13,825,000 in cash and cash equivalents; (iii) the increase of approximately HK\$1,259,372,000 in bank and other borrowings primarily due to the re-classification of significant portion of the Loan from non-current liabilities to current liabilities as a result of the Legal Proceeding as at 31 March 2024.

The current ratio, representing by total current assets divided by total current liabilities, dropped significantly to approximately 0.23 as at 31 March 2024 from approximately 1.01 as at 31 March 2023, which was primarily due to re-classification of the loan principal to current liabilities as a result of the Legal Proceeding.

The Group's gearing ratio, representing by total borrowings divided by total equity, was approximately negative 3.08 as at 31 March 2024 (2023: negative 7.17).

The Directors reviewed a cash flow forecast of the Group covering a period of eighteen months from the end of the reporting period and consider that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions:

- (a) The Group has been communicating with the bank and the construction supplier to rearrange the repayment schedules of defaulted bank borrowing and construction payable.
- (b) Provision of the drawdown of the Group's unused loan facilities with Mr. Hu of approximately HK\$600,949,000 (note 15), 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 approximately HK\$32,416,000 (note 13), which will expire in December 2025;
- (d) The Group will implement further cost reduction measures to minimise the operating costs and retain resources for the Group's properties management and renovation business which shall provide positive cash flows to maintain the Group's operations. 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.

Pledge on Assets

As at 31 March 2024, the Chongqing Property was pledged to secure bank borrowings granted to Chongqing Kingstone.

Financial risks

The main risks arising from the Group's activities are interest rate risk and foreign currency risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

Interests rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge interest rate risks. The Group manages its interest costs using variable rate bank borrowings and other borrowings.

Foreign currency rates risk

The Group's functional currency is Hong Kong Dollars. The Group had subsidiaries operating in the PRC and Japan, in which most of their transactions are conducted in RMB and JPY respectively. Fluctuation of the exchange rates of HKD against foreign currency of RMB and JPY could affect the Group's result of operations. The Group currently does not enter any hedging contract for manage foreign exchange rate risk. The Group will closely monitor the foreign currency movements and may use hedging derivatives, such as foreign currency forward contracts, to manage its foreign currency risk if appropriate.

COMMITMENTS

As at 31 March 2024, the Group had capital commitment of approximately HK\$4,236,000 in relation to the signing of contracts which is being or will be performed (2023: approximately HK\$7,351,000).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2024, the Group had a total workforce of 334 (2023: 378). The total staff cost, including Directors' emoluments and mandatory provident fund contributions, amounted to approximately HK\$46,068,000 for FY24 (FY23: approximately HK\$46,648,000). Employees are remunerated based on their performance and experience. Remuneration package is determined with reference to market conditions and individual performance.

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 the PRC 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 2023 and 31 March 2024, 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 2023 and 31 March 2024.

For each of the two years ended 31 March 2023 and 31 March 2024, the Group did not have any defined benefit plan.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed above, the Group held no significant investment as at 31 March 2024.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For FY24, there were no other material acquisitions and disposal of subsidiaries, associates or joint ventures by the Group.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during FY24. 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 C3 to the Listing Rules as the code of conduct for dealing in securities of the Company (the “**Securities**”) 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 2024. To ensure Directors’ dealings in 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 received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the independent non-executive Directors and is satisfied of their independence.

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 2024.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 March 2024.

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 C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 CG 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 of the Board while the post of the chief executive officer of the Company (the “CEO”) has been vacant since the resignation of the former CEO on 20 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.

After the appointment of CEO Mr. Tam Ka Yu on 22 May 2024, the Group re-complies with code provision C.2.1 of the CG Code.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.msil.com.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 March 2024 will be despatched to the Shareholders and made available on the above websites in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 July 2024 pending publication of this announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 10 September 2024.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Man Sang International Limited
HU XINGRONG
Chairman

Hong Kong, 9 September 2024

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