MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	**2020** *HK$'000*	2019 *HK$'000* *(Restated)*
Revenue	3	**124,853**	159,399
Cost of sales		**(61,814)**	(97,890)
Gross profit		**63,039**	61,509
Other income and gains, net	5	**844**	443
Gain on disposal of subsidiaries		**3,132**	—
(Decrease) increase in fair value of financial asset at fair value through profit or loss		**(1,178)**	7,520
Selling expenses		**(13,619)**	(7,627)
Administrative expenses		**(74,782)**	(43,424)
Impairment loss on right-of-use asset		**(4,576)**	—
Impairment loss on property, plant and equipment		**(11,347)**	—
Decrease in fair value of investment properties under construction		**(28,302)**	(30,438)
Finance income	6	**40**	37
Finance costs	6	**(98,306)**	(83,005)
Loss before tax	7	**(165,055)**	(94,985)
Income tax expense	8	**(25,787)**	(33,991)
Loss for the year		**(190,842)**	(128,976)
LOSS PER SHARE	9		
— basic and diluted (HK cents)		**(10.01)**	(6.77)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Loss for the year	**(190,842)**	(128,976)
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(113,664)**	(120,234)
Release of translation reserve upon disposal of subsidiaries	**(69)**	—
Total comprehensive loss for the year attributable to owners of the Company	**(304,575)**	(249,210)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
			(Restated)
Non-current assets			
Investment properties under construction		**1,750,181**	1,767,135
Property, plant and equipment		**720,724**	661,113
Prepaid lease payments		**—**	264,479
Financial asset at fair value through profit or loss		**8,100**	9,925
Right-of-use assets		**241,741**	—
Intangible asset		**1,019**	—
		2,721,765	2,702,652
Current assets			
Properties under development or held for sale		**466,064**	501,289
Trade and other receivables	11	**35,533**	50,125
Amount due from a related company		**2,071**	—
Cash and cash equivalents		**1,376,409**	163,818
		1,880,077	715,232
Current liabilities			
Trade and other payables	12	**218,436**	179,791
Amounts due to related companies		**1,151**	2,933
Current income tax liabilities		**141,193**	118,359
Bank and other borrowings	13	**17,686**	73,030
Lease liabilities		**5,827**	—
		384,293	374,113
Net current assets		**1,495,784**	341,119
Total assets less current liabilities		**4,217,549**	3,043,771

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — *Continued*

As at 31 March 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
			(Restated)
Non-current liabilities			
Deferred income tax liabilities		**1,002**	7,336
Promissory notes	14	**980,195**	917,827
Bank and other borrowings	13	**2,139,670**	936,000
Unsecured borrowings from a director	15	**599,046**	407,517
Lease liabilities		**27,155**	—
		3,747,068	2,268,680
Net assets		**470,481**	775,091
Capital and reserves			
Share capital		**190,617**	190,617
Reserves		**279,864**	584,474
Total equity		**470,481**	775,091

NOTES

For the year ended 31 March 2020

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

During the year ended 31 March 2020, the Group reported net loss of approximately HK$190,842,000. As at 31 March 2020, the Group had total current liabilities of approximately HK$384,293,000, including bank and other borrowings of approximately HK$17,686,000. As at the same date, the Group also had capital commitment of approximately HK$82,077,000 (note 16).

In view of the above, the directors of the Company have reviewed the Group's cash flow projections covering a period of twelve months from 31 March 2020 which have taken into account the following measures:

(1) Chongqing Kingstone Land Co., Ltd.*（重慶皇石置地有限公司）("Chongqing Kingstone"), an indirect wholly-owned subsidiary of the Company, has commenced the sales of the properties which is expected to continue to generate operating cash inflows to the Group;

(2) During the year ended 31 March 2020, the Group has entered into agreements with the lenders to extend the maturity date of the following facilities:

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

   (b) Maturity date of unsecured revolving loan facility of RMB500,000,000, equivalent to HK$545,000,000, from Mr. Hu Xingrong ("Mr. Hu"), the executive director and chairman of the Company, was extended from 31 May 2020 to 6 July 2021;

(3) Subsequent to the end of the reporting period, the Group made early repayment of other borrowing classified as non-current liability of RMB723,000,000, equivalent to approximately HK$788,070,000;

(4) Subsequent to the end of the reporting period, the Group made repayment of unsecured borrowings from Mr. Hu classified as non-current liabilities of RMB417,180,000, equivalent to approximately HK$454,726,000; and

(5) Following the repayment to the director, the Group still have unutilised facilities provided by Mr. Hu amounted to approximately HK$546,215,000.

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 2020. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Merger accounting for business combination involving entities under common control

On 13 December 2019, Wenzhou Huiyong Real Estate Development Co., Ltd. *（溫州暉永房地產開發有限公司）(“Wenzhou Huiyong”), an indirect wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with Wenzhou Doof Real Estate Group Co., Ltd*（溫州多弗地產集團有限公司）(“Wenzhou Doof”), a company which Mr. Hu is the ultimate controlling shareholder, for the purchase of its entire equity interest in Zhejiang Doof Property Management Services Co., Ltd.*（浙江多弗物業管理服務有限公司）(“Zhejiang Doof”), a private company registered in the People’s Republic of China (the “PRC”) on 16 July 2018, for a cash consideration of RMB500,000 (equivalent to approximately HK$545,000).

The acquisition was completed on 5 March 2020, and Zhejiang Doof has become an indirect wholly-owned subsidiary of the Group since then. As Zhejiang Doof and the Company are ultimately controlled by Mr. Hu, the acquisition of Zhejiang Doof was regarded as business combination under common control. The net assets of the combining entity or business are consolidated using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest. The adjustments to eliminate share/registered capital of the combining entity or business against the related investment costs have been made to merger reserve in the consolidated statement of changes in equity.

As Mr. Hu became the ultimate controlling shareholder as stated in the company’s announcement dated 22 October 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows for the prior periods have been restated to include the operating results of Zhejiang Doof as if this acquisition had been completed on 22 October 2018 being the earliest date when the combining entities or businesses first came under the control of Mr. Hu. Accordingly, the acquisition has had no impact on the Group’s consolidated statement of financial position at 1 April 2018.

* *The English name is for identification purpose only*

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(S)")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs:

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

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises below.

The application of other 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 years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on adoption of HKFRS 16 *Leases*

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use assets and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in the consolidated financial statements. Comparative information has not been restated and continues to be reported under HKAS 17 *Leases*.

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

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ’operating leases’ under the principles of HKAS 17 (except for lease of low value assets and lease with remaining lease term of 12 months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 9%.

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

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

	Notes	Carrying amount previously reported at 31 March 2019 HK$’000	Adjustments HK$’000	Carrying amount as restated at 1 April 2019 HK$’000
Prepaid lease payments	b	264,479	(264,479)	—
Right-of-use assets	a & b	—	269,080	269,080
Lease liabilities	a & c	—	(34,032)	(34,032)
Investment properties under construction	c	1,767,135	29,431	1,796,566

Notes:

a. As at 1 April 2019, right-of-use assets in relation to leased premises held for administrative purposes were measured at an amount equal to the lease liabilities of HK$4,601,000 upon initial adoption of HKFRS 16.

b. Prepaid lease payments of approximately HK$264,479,000 represent the upfront payments for leasehold lands in the PRC and were relasified to right-of-use assets.

c. As at 1 April 2019, right-of-use assets in relation to leased premises held for future rental purposes was included in investment properties under construction and measured at fair value at that date which approximated the lease liabilities of approximately HK$29,431,000. No adjustment at the date of initial application was made to the opening retained profits.

In the consolidated statement of cash flows, the Group as a lessee is required to split rental paid under capitalised leases into capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

Differences between operating lease commitments as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follow:

	HK$'000
Operating lease commitment disclosed as at 31 March 2019 (restated)	49,681
Less: Short-term leases with remaining lease term ended on or before 31 March 2020	(577)
	49,104
Discounted using the incremental borrowing rate at 1 April 2019 and lease liabilities recognised as at 1 April 2019	34,032
Analysed as:	
Current portion	3,861
Non-current portion	30,171
	34,032

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

- reliance on assessments on whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.

3. REVENUE

Revenue represents income arising from sales of properties and provision of property management services in the PRC during the year.

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

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Revenue from contract with customers within the scope of HKFRS 15:		
— Sales of properties	**109,680**	156,721
— Property management services	**15,173**	2,678
	124,853	159,399

4. SEGMENT INFORMATION

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

The CODM reviews the overall results of financial position of the Group as a whole prepared based on the same accounting policies.

Following the completion of the acquisition of Zhejiang Doof, the Group has expanded into the provision of property management services and thus had presented two reportable segments for the year ended 31 March 2020. The segment information for the year ended 31 March 2019 was re-presented accordingly.

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. Details of the reportable operating segment are as follows:

1. Property — Property development, sales and leasing of properties.

2. Management services — Provision of property management services

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

For the year ended 31 March 2020

	Property	**Management services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
Revenue from external customers	109,680	15,173	124,853
Segment (loss) profit	(46,693)	3,491	(43,202)
Unallocated income			3,316
Unallocated expenses			(125,169)
Loss before tax			(165,055)

For the year ended 31 March 2019 (Restated)

	Property	Management services	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
Revenue from external customers	156,721	2,678	159,399
Segment (loss) profit	(6,222)	339	(5,883)
Unallocated income			439
Unallocated expenses			(89,541)
Loss before tax			(94,985)

Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain finance income, certain finance costs, certain expenses, impairment loss on property, plant and equipment, impairment loss on right-of-use asset and gain on disposal of subsidiaries. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Segment assets		
Property	**4,576,453**	3,373,881
Management services	**9,030**	3,391
Unallocated assets	**16,359**	40,612
Total consolidated assets	**4,601,842**	3,417,884
Segment liabilities		
Property	**3,035,265**	1,646,617
Management services	**5,092**	2,940
Unallocated liabilities	**1,091,004**	993,236
Total consolidated liabilities	**4,131,361**	2,642,793

5. OTHER INCOME AND GAINS, NET

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Exchange gain (loss), net	**86**	(22)
Others	**758**	465
	844	443

6. FINANCE INCOME AND FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Finance income:		
— Bank interest income	**40**	37
Finance costs:		
— Interest on bank and other borrowings	**86,185**	102,391
— Interest on unsecured borrowings from a director	**42,014**	13,255
— Interest on promissory notes *(note 14)*	**62,368**	62,240
— Interest on lease liabilities	**3,235**	—
	193,802	177,886
Less: amount capitalised on qualifying assets	**(95,496)**	(94,881)
	98,306	83,005

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Staff costs (including directors of the Company):		
— Salaries and other allowances	**41,356**	24,420
— Retirement benefits scheme contributions	**4,795**	3,056
	46,151	27,476
Cost of properties recognised as an expense	**54,399**	95,547
Auditor's remuneration	**1,600**	1,500
Depreciation of property, plant and equipment	**12,194**	747
Depreciation of right-of-use assets	**4,315**	—
Loss on write-off on property, plant and equipment	—	284
Minimum lease payments paid under operating lease rentals in respect of rented premises	**N/A**	3,591

8. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current income tax		
— PRC land appreciation tax	**31,779**	41,600
Deferred income tax	**(5,992)**	(7,609)
	25,787	33,991

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 2020 and 2019.

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 2020 and 2019 under the Law of the PRC's on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

No PRC enterprise income tax has been provided since no assessable profits have been generated during both years ended 31 March 2020 and 2019.

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 owners of the Company is based on the following data:

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(190,842)**	(128,976)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,906,172**	1,906,172

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

Since there are no potential dilutive shares in issue during the years ended 31 March 2020 and 2019, 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 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Trade receivables	**5,425**	2,553
Deposits and other receivables *(note)*	**28,212**	30,893
Prepayments	**1,896**	16,679
	35,533	50,125

Note: Included in the balance as at 31 March 2020 is approximately RMB16,095,000 (2019: RMB18,387,000), equivalent to approximately HK$17,544,000 (2019: HK$21,513,000), representing an indemnification from the vendor of Gloryear Investments Limited and its subsidiaries (collectively referred to as the "Gloryear Group") for the loss arising from the termination of the hotel operation of the Gloryear Group.

The following is an aged analysis of trade receivables presented based on the invoice date, which approximates to revenue recogition date, at the end of the reporting period.

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
0 – 30 days	**1,601**	991
31 – 90 days	**3,050**	1,562
91 – 180 days	**774**	—
	5,425	2,553

12. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Trade payables	**2,188**	815
Construction costs accruals and payables	**145,206**	110,625
Other accruals and payables *(note)*	**71,042**	68,351
	218,436	179,791

Note: Included in the balance as at 31 March 2020 was approximately RMB16,095,000 (2019: RMB18,387,000), equivalent to approximately HK$17,544,000 (2019: HK$21,513,000), representing the compensation payable in respect of the termination of the hotel operation of the Gloryear Group.

The following is an aged analysis of trade payables presented based on the invoice date.

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
0 – 30 days	**149**	815
31 – 60 days	**131**	—
91 – 180 days	**316**	—
More than 180 days	**1,592**	—
	2,188	815

13. BANK AND OTHER BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Other borrowings	**794,856**	1,009,030
Bank borrowing	**1,362,500**	—
	2,157,356	1,009,030
Current:		
Unsecured loan — principal portion *(note (i))*	—	35,100
Unsecured loan — interest portion *(note (ii))*	**6,786**	37,930
Secured bank loan — principal portion *(note (iii))*	**10,900**	—
	17,686	73,030
Non-current:		
Unsecured loan — principal portion *(note (ii))*	**788,070**	936,000
Secured bank loan — principal portion *(note (iii))*	**1,351,600**	—
	2,139,670	936,000
Total bank and other borrowings	**2,157,356**	1,009,030

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

	2020	2019
	HK$'000	*HK$'000*
On demand	—	35,366
Within 1 year	**17,686**	37,664
More than 1 year but less than 2 years	**798,970**	936,000
More than 2 years but less than 5 years	**207,100**	—
More than 5 years	**1,133,600**	—
	2,157,356	1,009,030

	2020	2019
	HK$'000	*HK$'000*
Carrying amount of bank and other borrowings repayable within one year	**10,900**	35,100
Interest portions of other borrowings	**6,786**	37,930
Amounts shown under current liabilities	**17,686**	73,030
Amounts shown under non-current liabilities	**2,139,670**	936,000
	2,157,356	1,009,030

Notes:

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

During the year ended 31 March 2020, the unsecured loan had been fully settled.

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

(ii) The unsecured loan as at 31 March 2020 represents the unsecured loans with principal amount of RMB723,000,000 (31 March 2019: RMB800,000,000), equivalent to approximately HK$788,070,000 (31 March 2019: approximately HK$936,000,000) and interest payable of RMB6,226,000 (31 March 2019: RMB32,419,000) equivalent to approximately HK$6,786,000 (31 March 2019: approximately HK$37,930,000), from an independent third party to the Group. The unsecured loan carries a fixed interest rate of 10% per annum, with the interest payable quarterly, and will mature on 25 March 2021.

On 20 March 2020, the maturity date of the loan was extented to 3 October 2021.

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

(iii) The secured bank loan as at 31 March 2020 represents the new bank loan with principal amount of RMB1,250,000,000 (31 March 2019: nil) obtained during the year ended 31 March 2020, equivalent to HK$1,362,500,000 (31 March 2019: nil). The secured bank loan carries a fixed interest rate of 7% per annum, with the interest payable quarterly, and will mature on 30 March 2035. As at 31 March 2020, the bank borrowing was secured by certain investment properties under construction, certain property, plant and equipment and properties under development or held for sale.

The effective interest rate of the secured bank loan is 7% per annum.

14. PROMISSORY NOTES

	2020	2019
	HK$'000	*HK$'000*
At the beginning of the year	**917,827**	855,587
Interest charge *(note 6)*	**62,368**	62,240
At the end of the year	**980,195**	917,827

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

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

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

15. UNSECURED BORROWINGS FROM A DIRECTOR

	2020	2019
	HK$'000	*HK$'000*
Unsecured borrowings denominated in RMB *(note (i))*		
— Principal portion	**454,726**	344,156
— Interest portion	**45,750**	12,451
	500,476	356,607
Unsecured borrowing denominated in HK$ *(note (ii))*		
— Principal portion	**92,285**	50,000
— Interest portion	**6,285**	910
	98,570	50,910
	599,046	407,517

Notes:

(i) On 1 June 2018 and 29 August 2018, an unsecured revolving loan facility with an aggregate facility amount of RMB500,000,000 (equivalent to HK$545,000,000) has been granted from Mr. Hu to certain subsidiaries established in the PRC which carries a fixed interest rate of 9% per annum, with original maturity date on 31 May 2020. On 26 September 2019, the maturity date of the above-mentioned loan facility has been extended from 31 May 2020 to 6 July 2021.

As at 31 March 2020, unsecured borrowings with aggregate principal amount of RMB417,180,000 (31 March 2019: RMB294,150,000), equivalent to approximately HK$454,726,000 (31 March 2019: HK$344,156,000), has been drawn down. The effective interest rate of the unsecured borrowings is 9% per annum.

(ii) On 7 January 2019, another unsecured revolving loan facility has been granted from Mr. Hu to an indirectly wholly-owned subsidiary of the Company amounted to HK$100,000,000, which carries a fixed interest rate of 8% per annum, with maturity date on 6 July 2021.

As at 31 March 2020, unsecured borrowing with principal amount of HK$92,285,000 (31 March 2019: HK$50,000,000) has been drawn down. The effective interest rate of the unsecured borrowing is 8% per annum.

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

	2020	2019
	HK$'000	*HK$'000*
Fixed rate		
— Expiring on 31 May 2020	—	240,844
— Expiring on 6 July 2021	**97,989**	50,000
	97,989	290,844

16. CAPITAL COMMITMENT

	2020	2019
	HK$'000	*HK$'000*
Capital expenditure contracted but not provided for in the consolidated financial statements		
— Construction of properties	**79,973**	125,937
— Decoration	**2,104**	—
	82,077	125,937

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this Preliminary Announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The procedure performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

The Board is pleased to report the results of the Group for the year ended 31 March 2020 ("FY20"). During FY20, the consolidated loss attributable to owners of the Company was approximately HK$190,842,000 (year ended 31 March 2019 ("FY19"): HK$128,976,000, as restated). Basic loss per share was 10.01 HK cents (FY19: 6.77 HK cents, as restated).

Business Review

The Group remained focusing on the development, sales and leasing of properties in the People's Republic of China (the "PRC"), adhered to developing the core business of real estate business, further integrated the upstream and downstream asset-light business of the industrial chain, and actively diversified the income sources. During FY20, the sale volume of property in the PRC decreased slightly which affected by the global environment and the effect of COVID-19. The Group expected that the sale volume of property will grow in the long run.

Chongqing Property

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 famous pedestrian lane with numerous retail shops.

Included in the Chongqing Property, the shopping mall is classified as "Investment Properties under Construction", the fair value of which amounted to HK$1,750,181,000 as at 31 March 2020, which was equivalent to 38.03% of total assets of the Group.

The residential apartments are all available for sales. The serviced apartments have been officially put into operation. The renovation work of the shopping mall is approaching completion, and it is in the process of attracting suitable brands to open retail outlets in the mall. The redevelopment plan of Chongqing Property is proceeding as scheduled. Although the project is affected by COVID-19 in the short term, Chongqing Property will become one of the new landmarks in Yuzhong District as a result of its geographical advantage, planning programming and managerial experience.

We believe the lease income from serviced apartments and shopping mall will become the steady income source of the Group in the long run.

Looking forward

The redevelopment process of Chongqing Property is approaching completion and the business is moving into the operation stage from development stage. The Group will continue to focus on (i) monitoring the financial performance of the operation in the Chongqing Property; and (ii) maximising the return from the Chongqing Property so as to generate stable income and cash flows and lower the gearing ratio and the finance costs of the Group.

The Company is actively looking for opportunities, to diversify the revenue sources and creating shareholders' value. The Group completed the acquisition of a property management company in March 2020. The property management company has several property management projects on hand as well as several potential projects. Which was also recognised as the Top 100 Property Management Companies in China in 2020. In addition, the Group has obtained the PRC Grade One construction and decoration engineering contractor qualification, which expected to strengthen the revenue stream.

At the present stage, the Company is also actively looking for investment and acquisition opportunities that have promising outlooks and prospects to diversify the revenue sources of the Group in order to create shareholders' value.

Financial Review

Revenue, gross profit and gross profit margin

Revenue of the Group was HK$124,853,000 (FY19: HK$159,399,000, as restated) during FY20, which comprised sales of residential apartments of the Chongqing Property and property management services. The revenue has decreased by HK$34,546,000 or 21.67% as a result of the decrease in the number of apartments sold.

Gross profit of the Group increased by HK$1,530,000 or 2.49% to HK$63,039,000 (FY19: HK$61,509,000, as restated) in FY20 as a result of the selling of certain residential apartments with higher profit margin during the year and the increase in property management fee income during the year.

The increase in gross profit margin of the Group from 38.59% in FY19 (as restated) to 50.49% in FY20 was mainly due to the sale of certain apartment units with relatively higher profit margin as compared to other ordinary apartment units.

Selling and administrative expenses

Selling and administrative expenses mainly comprised selling expenses of HK$13,619,000 (FY19: HK$7,627,000, as restated) and administrative expenses of HK$74,782,000 (FY19: HK$43,424,000, as restated). The selling and administrative expenses increased by HK$37,350,000 or 73.16% to HK$88,401,000 (FY19: HK$51,051,000, as restated) in FY20, which was mainly due to (1) an increase of staff costs in FY20 by HK$16,047,000 after expansion of the Group; (2) increase in drepreciation of property, plant and equipment by HK$11,447,000 mainly arose from the serviced apartments of the Chongqing Property; and (3) increase in depreciation of right-of-use assets by HK$4,315,000 due to the new accounting Standard HKFRS 16 Leases.

Loss attributable to owners of the Company

The loss attributable to owners of the Company increased from HK$128,976,000 (as restated) in FY19 to HK$190,842,000 in FY20, representing an approximately 47.97% increase over the previous year, which was mainly attributable to the increase in the selling and administrative expenses as explained above, impairment losses on certain assets and the increase finance costs.

Liquidity and capital resources

As at 31 March 2020, the Group's total equity was HK$470,481,000 (2019: HK$775,091,000, as restated), representing a decrease of 39.30% from last year, which was due to (1) an incurring of loss attributable to owners of the Company of HK$190,842,000; and (2) an exchange loss on translation of foreign operations of HK$113,664,000 as a result of the depreciation of Renminbi against Hong Kong dollars.

During the year, the Group obtained a new bank loan with principal amount of RMB1,250,000,000, equivalent to HK$1,362,500,000, which carries a fixed interest of 7% per annum and will mature on 30 March 2035. This bank borrowing was mainly utilised to repay other borrowings with shorter repayment terms and higher interest charges, further to the repayment of such borrowings after the end of the reporting period, the liquidity of the Group was improved and such also lowered its overall financial cost.

As at 31 March 2020, the Group had cash and cash equivalents of HK$1,376,409,000 (2019: HK$163,818,000, as restated). Cash and bank balances were mainly denominated in Renminbi. The Group's net current assets amounted to HK$1,495,784,000 (2019: HK$341,119,000, as restated). The current ratio, represented by total current assets divided by total current liabilities, was 4.89 (2019: 1.91, as restated).

As at 31 March 2020, the Group had current liabilities of HK$384,293,000 (2019: HK$374,113,000, as restated) and total borrowings, representing bank and other borrowings, promissory notes and unsecured borrowings from a Director, amounted to HK$3,736,597,000 (2019: HK$2,334,374,000) which are interest bearing and denominated in Renminbi and Hong Kong dollars. The Group does not currently use any derivatives to manage interest rate risk. Gearing ratio, represented by total borrowings divided by total equity, was 7.94 (2019: 3.01). Approximately HK$17,686,000 (2019: HK$73,030,000) of the total borrowings will be due in the coming twelve months from the end of the reporting period. As at 31 March 2020, the Group had capital commitment of HK$82,077,000 (2019: HK$125,937,000), while its net current assets and cash and cash equivalents amounted to HK$1,495,784,000 (2019: HK$341,119,000, as restated) and HK$1,376,409,000 (2019: HK$163,818,000, as restated), respectively.

In view of the above, the Directors have reviewed the Group's cash flow projections covering a period of twelve months from 31 March 2020 which have taken into account the following measures:

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

(2) During the year ended 31 March 2020, the Group has entered into agreements with the lenders to extend the maturity date of the following facilities:

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

    (b) Maturity date of unsecured revolving loan facility of RMB500,000,000, equivalent to HK$545,000,000, from Mr. Hu Xingrong ("Mr. Hu"), the executive director and chairman of the Company, was extended from 31 May 2020 to 6 July 2021;

(3) Subsequent to the end of reporting period, the Group made early repayment of other borrowing classified as non-current liability of RMB723,000,000, equivalent to HK$788,070,000;

(4) Subsequent to the end of the reporting period, the Group made repayment of unsecured borrowings from Mr. Hu classified as non-current liabilities of RMB417,180,000, equivalent to approximately HK$454,726,000; and

(5) Following the repayment to the director, the Group still have unutilised facilities provided by Mr. Hu amounted to approximately HK$546,215,000.

Based on the above, in the opinion of the Directors, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 March 2020. Accordingly, the Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Exposure to fluctuations in exchange rates

The Group principally operates its businesses in Hong Kong and PRC. The Group has subsidiaries operating in PRC, in which most of their transactions are denominated in Renminbi. The Group is exposed to foreign exchange fluctuations from Renminbi which is the main foreign currency transacted by the Group during FY20.

The Group did not enter into any foreign exchange contract as hedging measures during FY20. The Group manages its foreign currency risk against RMB by closely monitoring its movement and may use hedging derivatives, such as foreign currency forward contracts, to manage its foreign currency risk as appropriate.

Human resources and remuneration policy

As at 31 March 2020, the Group had a total workforce of 220 (2019: 61). The total staff cost, including Directors' emoluments and mandatory provident fund contributions, amounted to HK$46,151,000 (2019: HK$27,476,000, as restated). Employees are remunerated based on their performance and experience. Remuneration package, including salary and year-end discretionary bonus, is determined by reference to market conditions and individual performance. 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 2020.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed above, the Group held no significant investment as at 31 March 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the material acquisition or disposal of subsidiaries, associates and joint ventures by the Group are set out in note 1 to this announcement.

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 2020. To ensure Directors' dealings in the securities of the Company (the "Securities") are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

AUDIT COMMITTEE

The audit committee, which comprises all three independent non-executive Directors of the Company, has reviewed with the management, the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of the consolidated financial statements of the Group for the year ended 31 March 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

CORPORATE GOVERNANCE CODE

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

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

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 March 2020.

PROSPECTS

The redevelopment process of Chongqing property is approaching completion, which will comprise of residential apartments (for sale), serviced apartments managed by an international renowned hotel management group (for lease) and a shopping mall (for lease). Chongqing Property redevelopment plan is in planned schedule, and due to its geographical advantages, Chongqing property is expected to become one of the new landmarks in Yuzhong District.

The Chongqing Property is located in the central business district. Given the promising commercial and residential property market in Chongqing, the price of property still have room for improvement when compared with other same tier cities, and the implementation of "The Belt and Road Initiative" also brings development opportunities to the Chongqing real estate market. It is expected that the selling of residential apartments and leasing of serviced apartments and commercial units in a shopping mall will enable the Group to generate stable income in the long run.

Given the Group's currently high gearing position and the deleveraging policy implemented by the PRC government, the Company remained focus on (i) monitoring the financial performance of the existing business in the Chongqing Property; (ii) maximising the return from the Chongqing Property so as to generate stable income and cash flows and lower the gearing ratio and the finance costs.

The Group adheres to the development direction of taking real estate development as the core business and integrating the upstream and downstream light assets business of the industrial chain. The acquisition of a property management company was completed in March 2020. The property management company has several projects under management and potential projects, and has been recognised as the Top 100 Property Management Companies in China in 2020. At the same time, the property management company will also undertake the real estate projects under construction and other potential real estate projects, which are expected to bring stable income to the Group. In addition, the Group has obtained the PRC Grade One construction and decoration engineering contractor qualification, which expected to strengthen the revenue stream. The Group is also committed to continuously improving its overall financial performance and diversity of its portfolio. In the future, we will create shareholders' value through making continuous investments and acquiring business or projects.

EVENT AFTER REPORTING PERIOD

On 8 May 2020, Wenzhou Rongdong Real Estate Development Co., Ltd. (溫州榮東房地產開發有限公司) ("Wenzhou Rongdong"), an indirect wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with Mr. Hu Shikuan and Ms. Zhang Tingting, are the father and niece of Mr. Hu, and are therefore connected persons of the Company, pursuant to which Wenzhou Rongdong conditionally agreed to acquire, and Mr. Hu Shikuan and Ms. Zhang Tingting conditionally agreed to sell, the entire equity interest in Wenzhou Junshang Decoration Co., Ltd.* (溫州君尚裝飾有限公司) ("Wenzhou Junshang") at the Consideration of RMB1 (the "Acquisition").

Upon completion of the acquisition, Wenzhou Junshang will become an indirect wholly-owned subsidiary of the Company and the financial information of Wenzhou Junshang and its subsidiary, Wenzhou Beichen Construction Co., Ltd.* (溫州北宸建設有限公司) ("Wenzhou Beichen"), a company established in the PRC with limited liability, will be consolidated into the consolidated financial statements of the Company.

BOARD OF DIRECTORS

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

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

Hong Kong, 22 June 2020

Remark:

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

* *The English Name is for identification purpose only*