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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 2021**

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 2021.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
	<i>Notes</i>		
Revenue	3	<b>158,729</b>	135,838
Cost of sales		<u>(183,007)</u>	<u>(79,417)</u>
Gross (loss) profit		<b>(24,278)</b>	56,421
Other income and (losses) gains, net	5	<b>(10,599)</b>	959
Gain on disposal of subsidiaries		–	3,132
Increase (decrease) in fair value of financial asset at fair value through profit or loss		<b>2,312</b>	(1,178)
Selling expenses		<b>(18,358)</b>	(13,619)
Administrative expenses		<b>(103,742)</b>	(81,265)
Impairment loss on right-of-use asset		<b>(52,124)</b>	(4,576)
Impairment loss on property, plant and equipment		<b>(149,920)</b>	(11,347)
Decrease in fair value of investment properties		<b>(4,088)</b>	(28,302)
Finance income	6	<b>230</b>	40
Finance costs	6	<u>(154,398)</u>	<u>(98,306)</u>
Loss before tax	7	<b>(514,965)</b>	(178,041)
Income tax expense	8	<u>(5,144)</u>	<u>(24,873)</u>
Loss for the year		<u><b>(520,109)</b></u>	<u>(202,914)</u>
Loss attributable to:			
Equity holders of the Company		<b>(521,821)</b>	(202,914)
Non-controlling interest		<u>1,712</u>	<u>–</u>
		<u><b>(520,109)</b></u>	<u>(202,914)</u>
<b>LOSS PER SHARE</b>			
– basic and diluted ( <i>HK dollars</i> )	9	<u><b>(1.26)</b></u>	<u>(0.53)</u>

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

*For the year ended 31 March 2021*

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i> (Restated)
<b>Other comprehensive income (expenses)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<b>124,084</b>	(115,479)
Release of translation reserve upon disposal of subsidiaries	<u>—</u>	<u>(69)</u>
Total comprehensive expenses for the year	<b><u>(396,025)</u></b>	<b><u>(318,462)</u></b>
Total comprehensive (expenses) income for the year attributable to:		
Equity holders of the Company	<b>(397,998)</b>	(318,462)
Non-controlling interest	<u>1,973</u>	<u>—</u>
	<b><u>(396,025)</u></b>	<b><u>(318,462)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

		<b>31 March 2021 HK\$'000</b>	31 March 2020 HK\$'000 (Restated)	1 April 2019 HK\$'000 (Restated)
	<i>Notes</i>			
<b>Non-current assets</b>				
Investment properties		<b>1,954,762</b>	1,750,181	1,796,566
Property, plant and equipment		<b>654,191</b>	797,413	741,292
Financial asset at fair value through profit or loss		<b>11,235</b>	8,100	9,925
Right-of-use assets		<b>200,532</b>	241,741	269,080
Intangible assets		<b>1,688</b>	1,019	–
Other receivables		<b>9,835</b>	–	–
		<b><u>2,832,243</u></b>	<u>2,798,454</u>	<u>2,816,863</u>
<b>Current assets</b>				
Properties under development or held for sale		<b>455,873</b>	466,064	501,289
Inventories		<b>5,184</b>	290	152
Trade and other receivables	<i>11</i>	<b>34,546</b>	36,233	51,030
Contract assets	<i>11</i>	<b>5,388</b>	–	–
Amounts due from related companies		<b>15,778</b>	2,213	–
Cash and cash equivalents		<b>153,787</b>	1,381,528	165,668
		<b><u>670,556</u></b>	<u>1,886,328</u>	<u>718,139</u>
<b>Current liabilities</b>				
Trade and other payables	<i>12</i>	<b>208,284</b>	219,917	181,794
Amounts due to related companies		<b>4,632</b>	1,988	2,933
Current income tax liabilities		<b>154,914</b>	141,193	118,359
Bank and other borrowings	<i>13</i>	<b>20,636</b>	17,686	73,030
Unsecured borrowings from a director	<i>15</i>	–	136,728	122,739
Lease liabilities		<b>3,163</b>	5,827	3,861
		<b><u>391,629</u></b>	<u>523,339</u>	<u>502,716</u>
<b>Net current assets</b>		<b><u>278,927</u></b>	<u>1,362,989</u>	<u>215,423</u>
<b>Total assets less current liabilities</b>		<b><u>3,111,170</u></b>	<u>4,161,443</u>	<u>3,032,286</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued**

As at 31 March 2021

		<b>31 March 2021 HK\$'000</b>	31 March 2020 HK\$'000 (Restated)	1 April 2019 HK\$'000 (Restated)
	<i>Notes</i>			
<b>Non-current liabilities</b>				
Deferred tax liabilities		<b>21,116</b>	18,573	25,470
Promissory notes	<i>14</i>	<b>1,042,307</b>	980,195	917,827
Bank and other borrowings	<i>13</i>	<b>1,441,351</b>	2,139,670	948,880
Unsecured borrowings from a director	<i>15</i>	<b>404,411</b>	599,046	394,637
Lease liabilities		<b>12,857</b>	27,155	30,171
		<b><u>2,922,042</u></b>	<u>3,764,639</u>	<u>2,316,985</u>
<b>Net assets</b>		<b><u>189,128</u></b>	<u>396,804</u>	<u>715,301</u>
<b>Capital and reserves</b>				
Share capital		<b>221,099</b>	190,617	190,617
Reserves		<b>(34,679)</b>	206,187	524,684
Non-controlling interest		<b>2,708</b>	–	–
		<b><u>189,128</u></b>	<u>396,804</u>	<u>715,301</u>

## NOTES

*For the year ended 31 March 2021*

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

During the year ended 31 March 2021, the Group reported net loss of approximately HK\$520,109,000. As at 31 March 2021, the Group had total current liabilities of approximately HK\$391,629,000, including bank and other borrowings of approximately HK\$20,636,000 and construction costs accruals and payables of approximately HK\$109,694,000. As at the same date, the Group also had capital commitment of approximately HK\$22,865,000 (note 16). However, the Group had only cash and bank balances of approximately HK\$153,787,000.

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 2021 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 and operation of the property project which is expected to continue to generate operating cash inflows to the Group; and
- (2) The continuous financial support from Mr. Hu with unutilised facilities as at 31 March 2021 was amounted to HK\$357,158,000 is available for drawdown at the Group's request.

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 2021. 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 14 July 2020, Decent Start Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Hu, who is the sole shareholder of Tafutsu Kabushiki Kaisha\* (株式會社多弗) (“**Doof Japan**”), to acquire the entire equity interest in Doof Japan, a private company incorporated in Japan, and the shareholder's loan of approximately JPY 1,975,537,000 (equivalent to approximately HK\$138,228,000) provided by Mr. Hu, for a consideration of approximately JPY848,394,000 (equivalent to approximately HK\$67,124,000). The consideration was satisfied by the issuance of 163,717,121 ordinary shares of the Company of HK\$0.1 each at HK\$0.41 per share.

\* *The English name is for identification purpose only*

The acquisition was completed on 30 October 2020, and Doof Japan and its subsidiaries (collectively referred as the “**Doof Japan Group**”) have become indirect wholly-owned subsidiaries of the Group since then. As Doof Japan and the Company are ultimately controlled by Mr. Hu, the acquisition of the Doof Japan Group was regarded as business combination under common control. The net assets of the Doof Japan Group 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. The details of the restated balances have been disclosed in note 18.

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 the Doof Japan Group as if this acquisition had been completed on 1 April 2019.

## **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 Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the 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.

### 3. REVENUE

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b>Revenue from contract with customers within the scope of HKFRS 15:</b>		
– Sales of properties	<b>36,554</b>	109,680
– Operation of serviced apartments	<b>22,478</b>	–
– Property management services	<b>26,249</b>	15,173
– Renovation and decoration services	<b>62,394</b>	–
– Hotel room	<b>1,282</b>	1,994
– Restaurant operation	<b>1,036</b>	2,718
– Golf club operation	<b>5,442</b>	6,039
– Others	<b>273</b>	234
	<b>155,708</b>	135,838
– Revenue from other sources	<b>3,021</b>	–
Gross rental income	<b>158,729</b>	135,838



#### 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 Doof Japan Group (note 18) and Wenzhou Junshang Decoration Company Limited, the Group has expanded into the provision of renovation and decoration services in PRC and hotel operation in Japan and thus had presented four reportable segments for the year ended 31 March 2021. As a result of the acquisition of the Doof Japan Group as business combination involving entities under common control as disclosed in note 1, the segment information for the year ended 31 March 2020 has been re-presented.

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. 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 operation 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 2021

	Chongqing property <i>HK\$’000</i>	Property management services <i>HK\$’000</i>	Renovation and decoration <i>HK\$’000</i>	Hotel operation in Japan <i>HK\$’000</i>	Total <i>HK\$’000</i>
<b>REVENUE</b>					
Revenue from external customers	<u>62,053</u>	<u>26,249</u>	<u>62,394</u>	<u>8,033</u>	<u>158,729</u>
Segment (loss) profit	<u>(408,050)</u>	<u>4,293</u>	<u>7,679</u>	<u>(12,104)</u>	(408,182)
Unallocated income					1,179
Unallocated expenses					<u>(107,962)</u>
Loss before tax					<u>(514,965)</u>

For the year ended 31 March 2020 (Restated)

	Chongqing property <i>HK\$'000</i>	Property management services <i>HK\$'000</i>	Renovation and decoration <i>HK\$'000</i>	Hotel operation in Japan <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>					
Revenue from external customers	<u>109,680</u>	<u>15,173</u>	<u>–</u>	<u>10,985</u>	<u>135,838</u>
Segment (loss) profit	<u>(46,693)</u>	<u>3,491</u>	<u>–</u>	<u>(12,985)</u>	(56,187)
Unallocated income					3,316
Unallocated expenses					<u>(125,170)</u>
Loss before tax					<u>(178,041)</u>

Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain finance income, certain finance costs, certain expenses, certain impairment loss on property, plant and equipment, certain impairment loss on right-of-use assets 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b>Segment assets</b>		
Chongqing property	3,358,222	4,576,452
Property management services	15,635	9,030
Renovation and decoration services	37,561	–
Hotel operation in Japan	79,030	82,939
Unallocated assets	<u>12,351</u>	<u>16,361</u>
Total consolidated assets	<u>3,502,799</u>	<u>4,684,782</u>
<b>Segment liabilities</b>		
Chongqing property	2,115,469	3,035,264
Property management services	7,374	5,092
Renovation and decoration services	30,368	–
Hotel operation in Japan	19,269	156,617
Unallocated liabilities	<u>1,141,191</u>	<u>1,091,005</u>
Total consolidated liabilities	<u>3,313,671</u>	<u>4,287,978</u>

Segment assets exclude certain property, plant and equipment, certain right-of-use asset, certain intangible asset, certain other receivables and certain cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude certain other payables, certain amounts due to related companies, certain unsecured borrowing from a director, promissory notes and certain lease liabilities.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Exchange (loss) gain, net	(287)	86
Impairment loss on trade and other receivables	(4,253)	–
Written off on other receivables	(19,153)	–
Government grants	832	31
Others	<u>12,262</u>	<u>842</u>
	<u>(10,599)</u>	<u>959</u>

## 6. FINANCE INCOME AND FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Finance income:		
– Bank interest income	<u>230</u>	<u>40</u>
Finance costs:		
– Interest on bank and other borrowings	108,919	86,185
– Interest on unsecured borrowings from a director	6,226	42,014
– Interest on promissory notes ( <i>note 14</i> )	62,112	62,368
– Interest on lease liabilities	<u>996</u>	<u>3,235</u>
	178,253	193,802
Less: amount capitalised on qualifying assets	<u>(23,855)</u>	<u>(95,496)</u>
	<u>154,398</u>	<u>98,306</u>

## 7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Staff costs (including directors of the Company)		
– salaries and other allowances	60,743	49,558
– retirement benefits scheme contributions	<u>6,502</u>	<u>5,650</u>
	<u>67,245</u>	<u>55,208</u>
Cost of properties recognised as an expense	51,169	54,399
Auditor's remuneration	1,900	1,600
Depreciation of property, plant and equipment	40,512	17,260
Depreciation of right-of-use assets	<u>9,032</u>	<u>4,315</u>

## 8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b>Current income tax</b>		
– PRC Enterprise Income Tax	1,743	–
– PRC Land Appreciation Tax	<u>742</u>	<u>31,779</u>
	2,485	31,779
Deferred income tax	<u>2,659</u>	<u>(6,906)</u>
	<u>5,144</u>	<u>24,873</u>

### Hong Kong Profits Tax

No Hong Kong Profits Tax has been provided since no assessable profits have been generated during both years ended 31 March 2021 and 2020.

### Japan Corporate Income Tax

No Japan Corporate Income Tax has been provided since no assessable profits have been generated during both years ended 31 March 2021 and 2020.

### 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 2021 and 2020 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 for the year ended 31 March 2020.

### 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(521,821)</u>	<u>(202,914)</u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>415,514</u>	<u>381,234</u>

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

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 March 2021 has been adjusted, taking into account the share consolidation on 2 March 2021 ("Share Consolidation") which was completed during the current year. The corresponding weighted average number of ordinary shares for the year ended 31 March 2020 has been retrospectively adjusted to reflect the said share consolidation.

Since there are no potential dilutive shares in issue during the years ended 31 March 2021 and 2020, 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 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

## 11. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Trade receivables	14,017	5,806
Less: allowance for impairment of trade receivables	<u>(4,253)</u>	<u>–</u>
	9,764	5,806
Deposits and other receivables	22,948	28,507
Prepayments	<u>1,834</u>	<u>1,920</u>
	<u><u>34,546</u></u>	<u><u>36,233</u></u>
Contract assets	<u><u>5,388</u></u>	<u><u>–</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
0 – 30 days	2,715	1,745
31 – 90 days	2,154	1,836
91 – 180 days	2,806	2,225
More than 180 days	<u>2,089</u>	<u>–</u>
	<u><u>9,764</u></u>	<u><u>5,806</u></u>

## 12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Trade payables	18,796	2,190
Construction costs accruals and payables	109,694	145,206
Other accruals and payables	<u>79,794</u>	<u>72,521</u>
	<u><b>208,284</b></u>	<u><b>219,917</b></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
0 – 30 days	15,132	151
31 – 90 days	3,307	131
91–180 days	297	316
More than 180 days	<u>60</u>	<u>1,592</u>
	<u><b>18,796</b></u>	<u><b>2,190</b></u>

## 13. BANK AND OTHER BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other borrowings	5,950	794,856
Bank borrowing	<u>1,456,037</u>	<u>1,362,500</u>
	<u><b>1,461,987</b></u>	<u><b>2,157,356</b></u>
Current:		
Unsecured loan – principal portion ( <i>note (i)</i> )	4,760	–
Unsecured loan – interest portion ( <i>notes (i) &amp; (ii)</i> )	1,190	6,786
Secured bank loan – principal portion ( <i>note (iii)</i> )	11,900	10,900
Secured bank loan – interest portion ( <i>note (iii)</i> )	<u>2,786</u>	<u>–</u>
	<u><b>20,636</b></u>	<u><b>17,686</b></u>
Non-current:		
Unsecured loan – principal portion ( <i>note (ii)</i> )	–	788,070
Secured bank loan – principal portion ( <i>note (iii)</i> )	<u>1,441,351</u>	<u>1,351,600</u>
	<u><b>1,441,351</b></u>	<u><b>2,139,670</b></u>
Total bank and other borrowings	<u><b>1,461,987</b></u>	<u><b>2,157,356</b></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	20,636	17,686
More than 1 year but less than 2 years	23,800	798,970
More than 2 year but less than 5 years	321,300	207,100
More than 5 years	<u>1,096,251</u>	<u>1,133,600</u>
	<u><b>1,461,987</b></u>	<u><b>2,157,356</b></u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount of bank and other borrowings repayable within one year	16,660	10,900
Interest portions of bank and other borrowings	<u>3,976</u>	<u>6,786</u>
Amounts shown under current liabilities	20,636	17,686
Amounts shown under non-current liabilities	<u>1,441,351</u>	<u>2,139,670</u>
	<u><b>1,461,987</b></u>	<u><b>2,157,356</b></u>

*Notes:*

- (i) The unsecured loan as at 31 March 2021 represented the unsecured loan with principal amount of RMB4,000,000, equivalent to HK\$4,760,000, from a related company which is under the control of Mr. Hu acquired through acquisition of subsidiaries. The unsecured loan carried a fixed interest rate of 15% per annum with the interest payable quarterly.

The effective interest rate of the unsecured loan is 15% per annum.

- (ii) The unsecured loan as at 31 March 2020 represented the unsecured loan with principal amount of RMB723,000,000, equivalent to approximately HK\$788,070,000 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.

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



- (iii) The secured bank loan as at 31 March 2021 represents the bank loan with principal amount of RMB1,221,219,000 (2020: RMB1,250,000,000) obtained during the year ended 31 March 2020, equivalent to HK\$1,453,251,000 (2020: HK\$1,362,500,000). 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 2021, the bank borrowing was guaranteed by Mr. Hu and secured by certain investment properties, properties held for sale and certain properties, plant and equipment of the Group.

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

#### 14. PROMISSORY NOTES

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
At the beginning of the year	<b>980,195</b>	917,827
Interest charge ( <i>note 6</i> )	<b>62,112</b>	62,368
	<u><b>1,042,307</b></u>	<u>980,195</u>
At the end of the year	<b>1,042,307</b>	980,195

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, 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.

## 15. UNSECURED BORROWINGS FROM A DIRECTOR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Unsecured borrowings denominated in RMB ( <i>note (i)</i> )		
– principal portion	247,568	454,726
– interest portion	<u>55,937</u>	<u>45,750</u>
	<u>303,505</u>	<u>500,476</u>
Unsecured borrowing denominated in HK\$ ( <i>note (ii)</i> )		
– principal portion	90,274	92,285
– interest portion	<u>10,632</u>	<u>6,285</u>
	<u>100,906</u>	<u>98,570</u>
Unsecured borrowing denominated in JPY ( <i>note (iii)</i> )		
– principal portion	<u>–</u>	<u>136,728</u>
	<u>404,411</u>	<u>735,774</u>
Amounts shown under current liabilities	–	136,728
Amounts shown under non-current liabilities	<u>404,411</u>	<u>599,046</u>
	<u>404,411</u>	<u>735,774</u>

- (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\$595,000,000) 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. On 22 August 2020, the maturity date of the above-mentioned loan facility has been further extended from 6 July 2021 to 6 July 2022.

As at 31 March 2021, unsecured borrowings with aggregate principal amount of RMB208,040,000 (31 March 2020: RMB417,180,000), equivalent to approximately HK\$247,568,000 (31 March 2020: HK\$454,726,000), 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. On 4 September 2020, the maturity date of the above-mentioned loan facility has been further extended from 6 July 2021 to 6 July 2022.

As at 31 March 2021, unsecured borrowing with principal amount of HK\$90,274,000 (31 March 2020: HK\$92,285,000) has been drawn down. The effective interest rate of the unsecured borrowing is 8% per annum.

- (iii) The unsecured borrowing as at 31 March 2020 represents an interest free loan of approximately JPY1,975,537,000 (equivalent to approximated HK\$136,728,000) to certain subsidiaries in Japan.

Upon acquisition of the Doof Japan Group, these loans were included in the calculation of consideration and satisfied by the issuance and allotment of consideration shares of the Company.

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fixed rate		
– expiring on 6 July 2022	<u><b>357,158</b></u>	<u>97,989</u>

## 16. CAPITAL COMMITMENT

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Capital expenditure contracted but not provided for in the consolidated financial statements		
– Construction of properties	<b>22,865</b>	79,973
– Decoration	<u>–</u>	<u>2,104</u>
	<u><b>22,865</b></u>	<u>82,077</u>

## 17. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares 2021 '000</b>	<b>Share capital 2021 HK\$'000</b>
<b>Ordinary shares</b>			
<b>Authorised</b>			
At 1 April 2019, 31 March 2020 and 1 April 2020 (HK\$0.1 each)		<b>5,000,000</b>	<b>500,000</b>
Share consolidation	<i>(iii)</i>	<u><b>(4,000,000)</b></u>	<u><b>–</b></u>
At 31 March 2021 (HK\$0.5 each)		<u><b>1,000,000</b></u>	<u><b>500,000</b></u>
<b>Issued and fully paid</b>			
At 1 April 2019, 31 March 2020 and 1 April 2020 (HK\$0.1 each)		<b>1,906,172</b>	<b>190,617</b>
Issue of shares upon placing	<i>(i)</i>	<b>141,104</b>	<b>14,110</b>
Issue of new shares for acquisition of subsidiaries	<i>(ii)</i>	<b>163,717</b>	<b>16,372</b>
Share consolidation	<i>(iii)</i>	<u><b>(1,768,794)</b></u>	<u><b>–</b></u>
At 31 March 2021 (HK\$0.5 each)		<u><b>442,199</b></u>	<u><b>221,099</b></u>

### *Notes*

- (i) On 7 July 2020, the Company issued 141,104,000 new ordinary shares of HK\$0.1 each at HK\$0.35 per share by way of placement to not less than six individuals, who and whose ultimate beneficial owner are independent third parties. The gross proceeds from the Placing amounted to approximately HK\$49,386,000 and the related directly attributable expenses were approximately HK\$1,041,000.
- (ii) On 30 October 2020, the Group acquired the Doof Japan Group by allotting 163,717,121 ordinary shares of HK\$0.1 each at HK\$0.41 per share to satisfy the consideration of the acquisition of approximately JPY848,394,000, equivalent to approximately HK\$67,124,000.
- (iii) On 27 January 2021, the directors of the Company put forward to the shareholders a proposal of Share Consolidation on the basis that every five issued and unissued shares of HK\$0.1 each in the share capital of the Company be consolidated into one consolidated share of HK\$0.5 each. An ordinary resolution to approve the Share Consolidation was duly passed by the shareholders by way of poll at the special general meeting of the Company held on 26 February 2021 where the share consolidation was effective on 2 March 2021.

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

## 18. BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in note 1, the acquisition of the Doof Japan Group has been accounted for as business combination under common control. The principal activities of Doof Japan and its major operating subsidiary, 余市郷村株式会社 (Yoichi Country Kabushiki Kaisha) (“**Yoichi Country**”) are investment holding and hotel operation in Japan respectively.

The reconciliation of the effect, arising from the common control combination on the consolidated statements of profit or loss for the year ended 31 March 2020 is as follows:

	<b>The Group excluding the Doof Japan Group</b> <i>HK\$'000</i> (As previously reported)	<b>Doof Japan Group</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i> (Restated)
Revenue	124,853	10,985	135,838
Cost of sales	<u>(61,814)</u>	<u>(17,603)</u>	<u>(79,417)</u>
Gross profit	63,039	(6,618)	56,421
Other income and gains, net	844	115	959
Gain on disposal of subsidiaries	3,132	–	3,132
Decrease in fair value of financial asset at fair value through profit or loss	(1,178)	–	(1,178)
Selling expenses	(13,619)	–	(13,619)
Administrative expenses	(74,782)	(6,483)	(81,265)
Impairment loss on right-of-use asset	(4,576)	–	(4,576)
Impairment loss on property, plant and equipment	(11,347)	–	(11,347)
Decrease in fair value of investment properties	(28,302)	–	(28,302)
Finance income	40	–	40
Finance costs	<u>(98,306)</u>	<u>–</u>	<u>(98,306)</u>
Loss before tax	(165,055)	(12,986)	(178,041)
Income tax expenses	<u>(25,787)</u>	<u>914</u>	<u>(24,873)</u>
Loss for the year	<u><u>(190,842)</u></u>	<u><u>(12,072)</u></u>	<u><u>(202,914)</u></u>

The reconciliation of the effect arising from the common control combination on the consolidated statements of financial position as at 31 March 2020 and 1 April 2019 are as follows:

	<b>The Group excluding the Doof Japan Group</b> <i>HK\$'000</i> (As previously reported)	<b>Doof Japan Group</b> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>The Group</b> <i>HK\$'000</i> (Restated)
<b>At 1 April 2019</b>				
<b>Non-current assets</b>				
Investment properties	1,796,566	–	–	1,796,566
Property, plant and equipment	661,113	80,179	–	741,292
Financial asset at fair value through profit or loss	9,925	–	–	9,925
Right-of-use assets	<u>269,080</u>	<u>–</u>	<u>–</u>	<u>269,080</u>
	<u>2,736,684</u>	<u>80,179</u>	<u>–</u>	<u>2,816,863</u>
<b>Current assets</b>				
Properties under development	501,289	–	–	501,289
Inventories	–	152	–	152
Trade and other receivables	50,125	905	–	51,030
Cash and cash equivalents	<u>163,818</u>	<u>1,850</u>	<u>–</u>	<u>165,668</u>
	<u>715,232</u>	<u>2,907</u>	<u>–</u>	<u>718,139</u>
<b>Current liabilities</b>				
Trade and other payables	179,791	2,003	–	181,794
Amount due to related companies	2,933	–	–	2,933
Current income tax liabilities	118,359	–	–	118,359
Other borrowings	73,030	–	–	73,030
Unsecured borrowings from a director	–	122,739	–	122,739
Lease liabilities	<u>3,861</u>	<u>–</u>	<u>–</u>	<u>3,861</u>
	<u>377,974</u>	<u>124,742</u>	<u>–</u>	<u>502,716</u>
<b>Net current assets</b>	<u>337,258</u>	<u>(121,835)</u>	<u>–</u>	<u>215,423</u>
<b>Total assets less current liabilities</b>	<u>3,073,942</u>	<u>(41,656)</u>	<u>–</u>	<u>3,032,286</u>

	<b>The Group excluding the Doof Japan Group</b> <i>HK\$'000</i> (As previously reported)	<b>Doof Japan Group</b> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>The Group</b> <i>HK\$'000</i>  (Restated)
<b>At 1 April 2019</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities	7,336	18,134	–	25,470
Promissory notes	917,827	–	–	917,827
Other borrowings	948,880	–	–	948,880
Unsecured borrowings from a director	394,637	–	–	394,637
Lease liabilities	30,171	–	–	30,171
	<u>2,298,851</u>	<u>18,134</u>	<u>–</u>	<u>2,316,985</u>
<b>Net assets</b>	<u><u>775,091</u></u>	<u><u>(59,790)</u></u>	<u><u>–</u></u>	<u><u>715,301</u></u>
<b>Capital and reserves</b>				
Share capital	190,617	700	(700)	190,617
Reserves	584,474	(60,490)	700	524,684
	<u><u>775,091</u></u>	<u><u>(59,790)</u></u>	<u><u>–</u></u>	<u><u>715,301</u></u>

	<b>The Group excluding the Doof Japan Group</b> <i>HK\$'000</i> (As previously reported)	<b>Doof Japan Group</b> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>The Group</b> <i>HK\$'000</i> (Restated)
<b>At 31 March 2020</b>				
<b>Non-current assets</b>				
Investment properties	1,750,181	–	–	1,750,181
Property, plant and equipment	720,724	76,689	–	797,413
Financial asset at fair value through profit or loss	8,100	–	–	8,100
Right-of-use assets	241,741	–	–	241,741
Intangible asset	<u>1,019</u>	<u>–</u>	<u>–</u>	<u>1,019</u>
	<u>2,721,765</u>	<u>76,689</u>	<u>–</u>	<u>2,798,454</u>
<b>Current assets</b>				
Properties held for sale	466,064	–	–	466,064
Inventories	–	290	–	290
Trade and other receivables	35,533	700	–	36,233
Amounts due from related companies	2,071	142	–	2,213
Cash and cash equivalents	<u>1,376,409</u>	<u>5,119</u>	<u>–</u>	<u>1,381,528</u>
	<u>1,880,077</u>	<u>6,251</u>	<u>–</u>	<u>1,886,328</u>
<b>Current liabilities</b>				
Trade and other payables	218,436	1,481	–	219,917
Amount due to related companies	1,151	837	–	1,988
Current income tax liabilities	141,193	–	–	141,193
Other borrowings	17,686	–	–	17,686
Unsecured borrowings from a director	–	136,728	–	136,728
Lease liabilities	<u>5,827</u>	<u>–</u>	<u>–</u>	<u>5,827</u>
	<u>384,293</u>	<u>139,046</u>	<u>–</u>	<u>523,339</u>
<b>Net current assets</b>	<u>1,495,784</u>	<u>(132,795)</u>	<u>–</u>	<u>1,362,989</u>
<b>Total assets less current liabilities</b>	<u><u>4,217,549</u></u>	<u><u>(56,106)</u></u>	<u><u>–</u></u>	<u><u>4,161,443</u></u>



	<b>The Group excluding the Doof Japan Group</b> <i>HK\$'000</i> (As previously reported)	<b>Doof Japan Group</b> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>The Group</b> <i>HK\$'000</i> (Restated)
<b>Non-current liabilities</b>				
Deferred tax liabilities	1,002	17,571	–	18,573
Promissory notes	980,195	–	–	980,195
Other borrowings	2,139,670	–	–	2,139,670
Unsecured borrowings from a director	599,046	–	–	599,046
Lease liabilities	27,155	–	–	27,155
	<u>3,747,068</u>	<u>17,571</u>	<u>–</u>	<u>3,764,639</u>
<b>Net assets</b>	<u><u>470,481</u></u>	<u><u>(73,677)</u></u>	<u><u>–</u></u>	<u><u>396,804</u></u>
<b>Capital and reserves</b>				
Share capital	190,617	700	(700)	190,617
Reserves	279,864	(74,377)	700	206,187
	<u><u>470,481</u></u>	<u><u>(73,677)</u></u>	<u><u>–</u></u>	<u><u>396,804</u></u>

The effect of the business combination involving entities under common control described above on the Group's basic and diluted loss per share for the years ended 31 March 2021 and 2020 is as follows:

	<b>2021</b> <b>HK\$</b>	2020 <i>HK\$</i> (Restated)
Basic and diluted loss per share, before adjustment	<b>(1.23)</b>	(0.50)
Adjustment arising from acquisition of the Doof Japan Group	<u><b>(0.03)</b></u>	<u>(0.03)</u>
Basic and diluted earnings per share, after adjustment	<u><b>(1.26)</b></u>	<u>(0.53)</u>

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this preliminary announcement have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

## **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 March 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Overview**

The Board is pleased to report the results of the Group for the year ended 31 March 2021 ("FY21"). During FY21, basic loss per share was HK\$1.26 (For the year ended 31 March 2020 ("FY20"): HK\$0.53, as restated), and total comprehensive expenses was approximately HK\$396,025,000 (FY20: HK\$318,462,000).

### **Business Review**

The Group is principally engaged in the development, sale and leasing of properties in the People's Republic of China (the "PRC"). In addition to its core real estate business, the Group is also involved in the hotel, property management, renovation and decoration industries to create a diversified income source for the Group.

### ***Chongqing Property***

Revenue: HK\$62,053,000 (FY20: HK\$109,680,000)

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

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

Included in the Chongqing Property, the shopping mall is classified as “Investment Properties”, the fair value of which amounted to HK\$1,954,762,000 as at 31 March 2021, which was equivalent to 55.81% of total assets of the Group.

The residential apartments are all available for sale. The serviced apartments have been officially put into operation during FY21, and were awarded the “2020 Best New Opening Apartment Hotel” by the selection panel of the China Best Hotel Awards. The shopping mall has been officially opened. Chongqing Property has 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.

### ***Property Management***

Revenue: HK\$26,249,000 (FY20: HK\$15,173,000)

In March 2020, the Group completed the acquisition of Zhejiang Huiyong Property Management Service Co., Ltd. (浙江暉永物業管理服務有限公司) (previously known as Zhejiang Doof Property Management Services Co., Ltd. (浙江多弗物業管理服務有限公司)) (“**Huiyong Property Management**”), which was recognised as the “2020 Top 100 Property Management Companies in China” by the China Index Academy.

Huiyong Property Management has several property management projects on hand as well as several potential projects in Zhejiang, Jiangsu, Sichuan, Fujian and Guizhou regions. The properties under management comprised of a variety of property types including residential communities, retail premises, office premises, sales offices and scenic areas, etc.

Through the acquisition of Huiyong Property Management, the Group was given the opportunity to enter into the property management industry, which creates synergies with the Group’s existing businesses and diversifies the income sources of the Group.

### ***Renovation and Decoration***

Revenue: HK\$62,394,000 (FY20: Nil)

In June 2020, the Group completed the acquisition of Wenzhou Junshang Decoration Co., Ltd. (溫州君尚裝飾有限公司) (“**Wenzhou Junshang**”). Wenzhou Beichen Construction Co., Ltd. (溫州北宸建設有限公司) (“**Beichen Construction**”), a subsidiary of Wenzhou Junshang, is principally engaged in renovation and decoration and engineering services in the PRC and holds the PRC Grade One construction and decoration engineering contractor qualification.

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

Through the acquisition of Wenzhou Junshang, the Group was given the opportunity to enter into the renovation and decoration industry, and acquired resources, skills and techniques to expand new businesses and complement existing businesses. For details, please refer to the announcements of the Company dated 8 May 2020 and 21 May 2020.

### ***Hotel operation in Japan***

Revenue: HK\$8,033,000 (FY20: HK\$10,985,000, as restated)

The Group completed the acquisition of 株式會社多弗\* (Tafutsu Kabushiki Kaisha\*) (“**Doof Japan**”) in October 2020. The principal assets of 余市鄉村株式會社\* (Yoichi Country Kabushiki Kaisha\*) (“**Yoichi Country**”), a subsidiary of Doof Japan, are a resort hotel and a 18-hole golf course located in Hokkaido, Japan.

Although the outbreak of the COVID-19 pandemic has, to a certain extent, curbed the development trend of Japan’s inbound tourism, the Japanese government has introduced a series of relevant policies to effectively support the hotel and tourism industries. At the same time, the hotel has made use of the timeframe to carry out upgrades and transformation of existing equipments so as to be prepared for the recovery of tourism after the pandemic has come to an end.

As to hotel operations management, the Group adjusted its existing business model and vigorously developed a series of marketing strategies targeting local Japanese tourists and residents of Hokkaido to improve the operating results of the existing golf course and hotel. At the same time, the Group is trying to carry out various kinds of winter activities to be fully prepared for the upcoming winter projects and attract winter travel enthusiasts from Japan and around the world.

Given the pleasant natural environment and the improving standard of operation and management of the hotel, it is expected that the future income generated by Doof Japan Group will sufficiently improve. For details, please refer to the announcements of the Company dated 14 July 2020, 10 September 2020 and 30 October 2020.

### **Looking Forward**

The redevelopment of Chongqing Property has been completed, its serviced apartment and shopping mall operations were still at start-up phase during the year, it is expected that these operations still have potential to grow. The Group will continue to focus on (i) monitoring the financial performance of the existing businesses; and (ii) improving the standard of management and operation so as to generate stable income and cash flows and lower the gearing ratio and the finance costs of the Group.

As new projects are successively undertaken by the Group, it is expected that Huiyong Property Management and Beichen Construction will continue to generate revenue growth for the Group and the business scope of the Group will gradually expand.

We expect that the global pandemic will be contained and the COVID-19 vaccination rate will gradually increase. We believe that the tourism industry in Japan will gradually recover and the hotel performance will improve in the long run.

In addition, the Group also entered into an acquisition agreement in 2021 for the proposed acquisition of 51% equity interest in a real estate development company in Gansu Province, PRC. For details, please refer to the announcement of the Company dated 12 January 2021.

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

## **Financial Review**

### ***Revenue, gross loss and gross loss margin***

Revenue of the Group for FY21 amounted to HK\$158,729,000 (FY20: HK\$135,838,000, as restated), which comprised of income from residential apartment sales and leasing income from the Chongqing Property, income from the Japan resort hotel, property management service income and renovation and decoration income. The increase in revenue by HK\$22,891,000 as compared to the prior year was mainly contributed from property management business and renovation and decoration business, which were newly acquired in March 2020 and June 2020, respectively.

Gross loss of the Group amounted to HK\$24,278,000 (FY20: gross profit of HK\$56,421,000, as restated), which mainly arose from (i) the offering of special discounts for selling of residential apartments under the current less favorable market conditions; and (ii) the serviced apartments in the Chongqing Property that were put into operation during the current period which was negatively affected by travel restrictions and city-wide lockdowns. Revenue from these operations could not fully offset the relevant cost of sales and gross loss arose therefrom.

### ***Selling and administrative expenses***

Selling and administrative expenses mainly comprised of selling expenses of HK\$18,358,000 (FY20: HK\$13,619,000, as restated) and administrative expenses of HK\$103,742,000 (FY20: HK\$81,265,000, as restated). The selling and administrative expenses have been maintained at a stable level as a result of strengthened cost control measures during the year.

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

The loss attributable to owners of the Company increased to HK\$521,821,000 (FY20: HK\$202,914,000), and the total comprehensive expenses for the year attributable to owners of the Company was HK\$397,998,000 (FY2020: HK\$318,462,000) which was mainly attributable to (i) gross loss of HK\$24,278,000 mainly arising from the Chongqing Property segment, as a result of the offering of special discounts for selling of residential apartments under the less favorable market conditions and the less satisfactory result of the serviced apartment operations resulted from travel restrictions and city-wide lockdowns; (ii) the impairment loss amounted to HK\$149,920,000 on property, plant and equipment and HK\$52,124,000 on right-of-use asset in respect of the Chongqing Property serviced apartment operation, mainly resulted from the uncertainties arising from COVID-19; (iii) increase in finance cost to HK\$154,398,000 (FY20: HK\$98,306,000) as less finance cost was capitalised during the year, following the completion of our property redevelopment project in Chongqing and (iv) benefiting from the appreciation of Renminbi against Hong Kong dollars, the exchange differences on translation of foreign operations recorded a gain of HK\$124,084,000 for the Group (FY2020: charge of HK\$115,479,000).

### ***Liquidity and capital resources***

As at 31 March 2021, the Group's total equity was HK\$189,128,000 (2020: HK\$396,804,000, as restated), represented a decrease of 52.3% as compared to prior year, which was mainly due to the loss attributable to owners of the Company for FY21 amounted to HK\$521,821,000, such impact on total equity was partially offset by (i) the exchange gain on translation of foreign operations of HK\$124,084,000 as a result of the appreciation of Renminbi against Hong Kong dollars; (ii) issuance of shares on placement of HK\$49,386,000; and (iii) issuance of shares under general mandate and capital contributions from prior shareholder of subsidiary acquired under common control during the year amounted to HK\$138,228,000.

During FY20, the Group obtained a 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. Such loan was utilised to repay other borrowings with shorter repayment terms and higher interest charges.

As at 31 March 2021, the Group had cash and cash equivalents of HK\$153,787,000 (2020: HK\$1,381,528,000, as restated). Cash and bank balances were mainly denominated in Renminbi. The Group's current assets amounted to HK\$670,556,000 (2020: HK\$1,886,328,000, as restated). The current ratio, represented by total current assets divided by total current liabilities, was 1.71 (2020: 3.60, as restated).

As at 31 March 2021, the Group had current liabilities of HK\$391,629,000 (2020: HK\$523,339,000, as restated) and total borrowings, representing bank and other borrowings, promissory notes and unsecured borrowings from a Director, amounted to HK\$2,908,705,000 (2020: HK\$3,873,325,000, as restated) which are interest bearing and denominated in Renminbi or Hong Kong dollars. The Group does not currently use any derivatives to manage interest rate risk. Gearing ratio, represented by total borrowings divided by total equity, was 15.38 (2020: 9.76, as restated). Approximately HK\$20,636,000 (2020: HK\$154,414,000, as restated) of the total borrowings will be due in the coming twelve months from the end of the reporting period. As at 31 March 2021, the Group had capital commitment of HK\$22,865,000 (2020: HK\$82,077,000, as restated), while its net current assets and cash and cash equivalents amounted to HK\$278,927,000 (2020: HK\$1,362,989,000, as restated) and HK\$153,787,000 (2020: HK\$1,381,528,000, 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 2021 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 and operation of the property project which is expected to continue to generate operating cash inflows to the Group; and
- (2) The continuous financial support from Mr. Hu with unutilised facilities as at 31 March 2021 was amounted to HK\$357,158,000 is available for drawdown at the Group's request.

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 2021. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

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

The Group principally operates its businesses in PRC, Hong Kong and Japan. The Group has subsidiaries operating in PRC and Japan, in which most of their transactions are denominated in Renminbi (“**RMB**”) and Japanese Yen (“**JPY**”) respectively. The Group is exposed to foreign exchange fluctuations from RMB and JPY which are the main foreign currency transacted by the Group during FY21.

The Group did not enter into any foreign exchange contract as hedging measures during FY21. The Group manages its foreign currency risk against RMB and JPY by closely monitoring their movements and may use hedging derivatives, such as foreign currency forward contracts, to manage its foreign currency risk as appropriate.

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

As at 31 March 2021, the Group had a total workforce of 399 (2020: 220). The total staff cost, including Directors' emoluments and mandatory provident fund contributions, amounted to HK\$67,245,000 (2020: HK\$55,208,000, as restated). Employees are remunerated based on their performance and experience. Remuneration package is determined by reference to market conditions and individual performance. In order to align the interests of staff, Directors and consultants with the Group, share options may be granted to staff, Directors and consultants under the Group's share option scheme (the "**2012 Share Option Scheme**"). There were no share options outstanding under the 2012 Share Option Scheme as at 31 March 2021.

## **Use of Proceeds**

### ***Placing of Existing Shares and Top-Up Subscription for New Shares Under General Mandate***

On 24 June 2020, the Company, China DaDi Group Limited ("**China DaDi**") and Mr. Hu entered into the placing agreement (the "**Placing Agreement**") with Roofer Securities ("**Placing Agent**") pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 141,104,000 existing shares of the Company ("**Placing Shares**") at a price of HK\$0.35<sup>#</sup> (the "**Placing Price**") per Placing Share on behalf of China DaDi (the "**Placing**").

Pursuant to the Placing, China DaDi and the Company have also entered into the subscription agreement (the "**Subscription Agreement**") on the same date under which China DaDi conditionally agreed to subscribe for, and the Company conditionally agreed to issue, 141,104,000<sup>#</sup> new ordinary shares of the Company (the "**Subscription Shares**") at a price of HK\$0.35<sup>#</sup> (the "**Subscription Price**") per Subscription Share (the "**Subscription**"). The Subscription Shares have a nominal value of HK\$14,110,400 and a market value of HK\$57,852,640, based on the closing price of HK\$0.41<sup>#</sup> on the date of the Subscription Agreement.

The Placing and the Subscription were completed on 24 June 2020 and 7 July 2020 respectively.

A total of 141,104,000 Placing Shares have been successfully placed at the Placing Price of HK\$0.35<sup>#</sup> per Placing Share by the Placing Agent to not less than six independent professional, institutional and/or individual investors who, together with their respective ultimate beneficial owners (a) are third parties independent of and not connected with the Company or its connected persons; and (b) are not acting in concert with China DaDi, its associates and persons acting in concert with China DaDi. None of the placees has become a substantial shareholder (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**")) of the Company as a result of the Placing.



Further, all the conditions of the Subscription have been fulfilled and completion of the Subscription took place on 7 July 2020. A total of 141,104,000 Subscription Shares (equivalent to the number of the Placing Shares successfully placed under the Placing) were subscribed by China DaDi at the Subscription Price of HK\$0.35<sup>#</sup> per Subscription Share.

The net proceeds were approximately HK\$48,345,000 received from the Subscription. The Company intended to apply the proceeds for repayment of borrowings of the Group and as general working capital of the Group. The net price of the Subscription is approximately HK\$0.34<sup>#</sup> per share of the Company.

The intended and actual use of proceeds from the Subscription up to 31 March 2021 is set out as follows:

<b>Intended use of net proceeds</b>	<b>Original allocation of net proceeds</b>	<b>Utilised amount of net proceeds up to 31 March 2021</b>	<b>Unutilised amount of net proceeds up to 31 March 2021</b>
Repayment of borrowings of the Group	48,000,000	48,000,000	–
General working capital	<u>345,000</u>	<u>345,000</u>	<u>–</u>
Total	<u><u>48,345,000</u></u>	<u><u>48,345,000</u></u>	<u><u>–</u></u>

As at 31 March 2021, the Group's net proceeds from the Subscription has been fully utilised.

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

As at 31 March 2021, the Chongqing Property was pledged to secure banking borrowings granted to Chongqing Kingstone.

As at 31 March 2021, the Group had no material contingent liabilities.

### **Significant Investments Held**

Save as disclosed above, the Group held no significant investment as at 31 March 2021.

<sup>#</sup> The Subscription Shares and the Subscription Price are before the effective date of the Share Consolidation on 2 March 2021

## **Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

On 8 May 2020, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Wenzhou Junshang Decoration Company Limited at a total consideration of RMB1 from a related party. The principal activity of Wenzhou Junshang Decoration Company Limited is the provision of design, decoration and engineering services in the PRC. The acquisition was completed in June 2020.

On 14 July 2020, the Group entered into a sale and purchase agreement with Mr. Hu, who is the sole shareholder of Doof Japan to acquire the entire equity interest in Doof Japan, details of the acquisition are set out in note 1 to this announcement.

## **Capital Structure**

On 24 June 2020, the Company, China DaDi and Mr. Hu entered into the Placing Agreement with the Placing Agent to place up to 141,104,000 Placing Shares at the Placing Price per Placing Share on behalf of China DaDi.

For details of the Placing, please refer to “Use of Proceeds” Section of this announcement.

On 27 January 2021, the Board proposed to implement the share consolidation on the basis that every five (5) issued and unissued shares of the Company (the “**Share(s)**”) of HK\$0.1 each be consolidated into one (1) Share of HK\$0.5 each (the “**Share Consolidation**”).

The Share Consolidation was approved by the shareholders of the Company at the special general meeting of the Company held on 26 February 2021. The number of issued Shares became 442,198,595 upon the Share Consolidation became effective on 2 March 2021 and the Shares continue to be traded in board lot size of 2,000 Shares.

Please refer to the announcement of the Company dated 27 January 2021 and the circular of the Company dated 8 February 2021 for details.

Save as disclosed herein, there has been no change in the capital structure of the Group during FY21. The capital of the Group only comprises ordinary Shares.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the year ended 31 March 2021. 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 2021.

## **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 2021.

## **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 2021.

## **PROSPECTS**

Following the completion of redevelopment of Chongqing Property, it has become one of the new landmarks in Yuzhong District of Chongqing.

While the economic recovery will continue in 2022 due to the roll-out of COVID-19 vaccines, we expect the operating environment will still be with uncertainties. The Company remains focus on (i) monitoring the financial performance of the existing business; (ii) maximising the return from its operations in order to generate stable income and cash flows and lower the gearing ratio and the finance costs.

The Group acquired a renovation and decoration business and a hotel and resort operation during FY21, which strengthened our revenue stream for the year. The Group is 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**

No significant events took place subsequent to 31 March 2021.

## **BOARD OF DIRECTORS**

As at the date hereof, the executive Directors of the Company are Mr. Hu Xingrong (Chairman), Mr. Huang Xiaohai, Mr. Jin Jiangui, 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, 29 June 2021

Remark:

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

\* *The English Name is for identification purpose only*