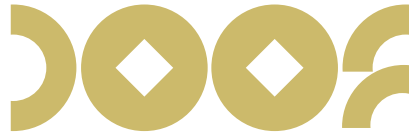


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MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

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 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

		2022	2021
	Notes	HK\$'000	HK\$'000
Revenue	3	116,656	158,729
Cost of sales		<u>(125,050)</u>	<u>(183,007)</u>
Gross loss		(8,394)	(24,278)
Other income and gains (losses), net	5	(771)	(10,599)
(Decrease) increase in fair value of financial asset at fair value through profit or loss		(8,799)	2,312
Selling expenses		(13,835)	(18,358)
Administrative expenses		(82,830)	(103,742)
Impairment loss on right-of-use asset		–	(52,124)
Impairment loss on property, plant and equipment		–	(149,920)
Impairment loss on properties held for sale		(5,710)	–
Decrease in fair value of investment properties		(69,366)	(4,088)
Finance income	6	63	230
Finance costs	6	<u>(185,602)</u>	<u>(154,398)</u>
Loss before tax	7	(375,244)	(514,965)
Income tax expense	8	<u>(366)</u>	<u>(5,144)</u>
Loss for the year		<u><u>(375,610)</u></u>	<u><u>(520,109)</u></u>
Loss attributable to:			
Equity holders of the Company		(371,735)	(521,821)
Non-controlling interest		<u>(3,875)</u>	<u>1,712</u>
		<u><u>(375,610)</u></u>	<u><u>(520,109)</u></u>
LOSS PER SHARE			
– basic and diluted (<i>HK dollars</i>)	9	<u><u>(0.69)</u></u>	<u><u>(1.26)</u></u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year	(375,610)	(520,109)
Other comprehensive income (expenses)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>48,641</u>	<u>124,084</u>
Total comprehensive expenses for the year	<u>(326,969)</u>	<u>(396,025)</u>
Total comprehensive (expenses) income for the year attributable to:		
Equity holders of the Company	(323,153)	(397,998)
Non-controlling interest	<u>(3,816)</u>	<u>1,973</u>
	<u>(326,969)</u>	<u>(396,025)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

		31 March	31 March
		2022	2021
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Investment properties		1,957,299	1,954,762
Property, plant and equipment		633,604	654,191
Financial asset at fair value through profit or loss		2,741	11,235
Right-of-use assets		203,110	200,532
Intangible assets		1,706	1,688
Other receivables	<i>11</i>	9,794	9,835
		<u>2,808,254</u>	<u>2,832,243</u>
Current assets			
Properties held for sale		465,440	455,873
Inventories		4,586	5,184
Trade and other receivables	<i>11</i>	26,363	34,546
Contract assets	<i>11</i>	9,691	5,388
Amounts due from related companies		6,164	15,778
Cash and cash equivalents		31,770	153,787
		<u>544,014</u>	<u>670,556</u>
Current liabilities			
Trade and other payables	<i>12</i>	152,221	208,284
Amounts due to related companies		2,421	4,632
Tax payables		160,121	154,914
Bank and other borrowings	<i>13</i>	32,949	20,636
Unsecured borrowings from a director	<i>15</i>	14,765	–
Lease liabilities		2,071	3,163
		<u>364,548</u>	<u>391,629</u>
Net current assets		<u>179,466</u>	<u>278,927</u>
Total assets less current liabilities		<u>2,987,720</u>	<u>3,111,170</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued*As at 31 March 2022*

		31 March	31 March
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Deferred income tax liabilities		15,060	21,116
Promissory notes	<i>14</i>	868,052	1,042,307
Bank and other borrowings	<i>13</i>	1,508,937	1,441,351
Unsecured borrowings from a director	<i>15</i>	377,561	404,411
Lease liabilities		10,782	12,857
Other payables	<i>12</i>	17,169	–
		<u>2,797,561</u>	<u>2,922,042</u>
Net assets		<u>190,159</u>	<u>189,128</u>
Capital and reserves			
Share capital	<i>17</i>	323,599	221,099
Reserves		<u>(132,332)</u>	<u>(34,679)</u>
Equity attributable to owners of the Company		191,267	186,420
Non-controlling interest		<u>(1,108)</u>	<u>2,708</u>
		<u>190,159</u>	<u>189,128</u>

NOTES

For the year ended 31 March 2022

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

During the year ended 31 March 2022, the Group reported net loss of approximately HK\$375,610,000. As at 31 March 2022, the Group had total current liabilities of approximately HK\$364,548,000 while the Group had bank balances and cash of approximately HK\$31,770,000.

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 2022 which have taken into account the following measures:

- (1) The operation of the property project of Chongqing Kingstone Land Co., Ltd.* (重慶皇石置地有限公司) (“**Chongqing Kingstone**”), an indirect wholly-owned subsidiary of the Company, is expected to continue to generate operating cash inflows to the Group;
- (2) The continuous financial support from Mr. Hu with unutilised facilities as at 31 March 2022 amounted to approximately HK\$414,646,000 available for drawdown at the Group's request; and
- (3) The continuous financial support from a related company which is beneficial owned by Mr. Hu with unutilised facilities as at 31 March 2022 amounted to approximately HK\$75,309,000 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 2022. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Since 2020, the epidemic of the Coronavirus Disease 2019 (“**COVID-19**”) has spread across China and other countries. COVID-19 may affect the financial performance, position of the property development industry and hotel industry. The Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group.

* *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 the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 April 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

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

3. REVENUE

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

	For the year ended 31 March 2022				
	Chongqing property <i>HK\$’000</i>	Property management services <i>HK\$’000</i>	Renovation and decoration <i>HK\$’000</i>	Hotel operation in Japan <i>HK\$’000</i>	Total <i>HK\$’000</i>
Type of goods and services					
– Sales of properties	–	–	–	–	–
– Operation of serviced apartments	28,981	–	–	–	28,981
– Property management services	–	30,919	–	–	30,919
– Renovation and decoration services	–	–	40,329	–	40,329
– Hotel room	–	–	–	1,736	1,736
– Restaurant operation	–	–	–	223	223
– Golf club operation	–	–	–	5,894	5,894
– Other	–	–	–	137	137
Total revenue from contracts with customers	28,981	30,919	40,329	7,990	108,219
– Gross rental income	8,437	–	–	–	8,437
Total revenue	<u>37,418</u>	<u>30,919</u>	<u>40,329</u>	<u>7,990</u>	<u>116,656</u>

For the year ended 31 March 2021

	Chongqing property HK\$'000	Property management services HK\$'000	Renovation and decoration HK\$'000	Hotel operation in Japan HK\$'000	Total HK\$'000
Type of goods and services					
- Sales of properties	36,554	-	-	-	36,554
- Operation of serviced apartments	22,478	-	-	-	22,478
- Property management services	-	26,249	-	-	26,249
- Renovation and decoration services	-	-	62,394	-	62,394
- Hotel room	-	-	-	1,282	1,282
- Restaurant operation	-	-	-	1,036	1,036
- Golf club operation	-	-	-	5,442	5,442
- Other	-	-	-	273	273
Total revenue from contracts with customers	59,032	26,249	62,394	8,033	155,708
- Gross rental income	3,021	-	-	-	3,021
Total revenue	<u>62,053</u>	<u>26,249</u>	<u>62,394</u>	<u>8,033</u>	<u>158,729</u>

4. SEGMENT INFORMATION

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

Upon the acquisition of Tafutsu Kabushiki Kaisha* (株式会社多弗) (“**Doof Japan**”) (note 18) and Wenzhou Junshang Decoration Company Limited, the Group has expanded into the provision of renovation and decoration services in the People’s Republic of China (“**PRC**”) and hotel operation in Japan and thus had presented four reportable segments.

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

* For identification purpose only

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 2022

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

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>
REVENUE					
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>

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 and certain impairment loss on right-of-use assets. 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment assets		
Chongqing property	3,223,200	3,358,222
Property management services	19,263	15,635
Renovation and decoration	27,285	37,561
Hotel operation in Japan	72,174	79,030
Unallocated assets	10,346	12,351
	<u>3,352,268</u>	<u>3,502,799</u>
Segment liabilities		
Chongqing property	2,190,287	2,115,469
Property management services	8,502	7,374
Renovation and decoration	32,266	30,368
Hotel operation in Japan	19,268	19,269
Unallocated liabilities	911,786	1,141,191
	<u>3,162,109</u>	<u>3,313,671</u>

Segment assets exclude certain property, plant and equipment, certain right-of-use assets, certain intangible assets, 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 GAINS (LOSSES), NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Exchange gain (loss), net	41	(287)
Impairment loss on trade and other receivables	–	(4,253)
Written off of other receivable	–	(19,153)
Government grants	531	832
Others	(1,343)	12,262
	<u>(771)</u>	<u>(10,599)</u>

6. FINANCE INCOME AND FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income:		
– Bank interest income	<u>63</u>	<u>230</u>
Finance costs:		
– Interest on bank and other borrowings	107,876	108,919
– Interest on unsecured borrowings from a director	22,927	6,226
– Interest on promissory notes (<i>note 14</i>)	53,745	62,112
– Interest on lease liabilities	<u>1,054</u>	<u>996</u>
	185,602	178,253
Less: amount capitalised on qualifying assets	<u>–</u>	<u>(23,855)</u>
	<u>185,602</u>	<u>154,398</u>

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Staff costs (including directors of the Company)		
– salaries and other allowances	64,413	60,743
– retirement benefits scheme contributions	<u>8,275</u>	<u>6,502</u>
	<u>72,688</u>	<u>67,245</u>
Cost of properties recognised as an expense	–	51,169
Auditor's remuneration		
– Statutory audit services	1,760	1,900
– Non-statutory audit services	890	165
Depreciation of property, plant and equipment	38,282	40,512
Depreciation of right-of-use assets	<u>5,712</u>	<u>9,032</u>

8. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
– PRC Enterprise Income Tax	6,389	1,743
– PRC Land Appreciation Tax	–	742
	<u>6,389</u>	<u>2,485</u>
Deferred tax	<u>(6,023)</u>	<u>2,659</u>
	<u><u>366</u></u>	<u><u>5,144</u></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 2022 and 2021.

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 2022 and 2021.

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 2022 and 2021 under the Law of the PRC's on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

The PRC Land Appreciation Tax

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

9. LOSS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(371,735)</u>	<u>(521,821)</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>538,240</u>	<u>415,514</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 purposes of calculating basic loss per share has been adjusted, taking into account the share consolidation (“**Share Consolidation**”) and the new shares issued as further detailed in note 17.

Since there are no potential dilutive shares in issue during the years ended 31 March 2022 and 2021, 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 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

11. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	14,433	14,017
Less: allowance for impairment of trade receivables	<u>(4,253)</u>	<u>(4,253)</u>
	10,180	9,764
Deposits and other receivables	24,222	32,783
Prepayments	<u>1,755</u>	<u>1,834</u>
	36,157	44,381
Portion classified as current assets	<u>(26,363)</u>	<u>(34,546)</u>
Non-current portion	<u>9,794</u>	<u>9,835</u>
Contract assets	<u>9,691</u>	<u>5,388</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	3,097	2,715
31 – 90 days	2,428	2,154
91 – 180 days	522	2,806
More than 180 days	<u>4,133</u>	<u>2,089</u>
	<u>10,180</u>	<u>9,764</u>

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	6,424	18,796
Construction costs accruals and payables	74,948	109,694
Other accruals and payables	<u>88,018</u>	<u>79,794</u>
	<u>169,390</u>	<u>208,284</u>
Analysed as		
Non-current	17,169	–
Current	<u>152,221</u>	<u>208,284</u>
	<u>169,390</u>	<u>208,284</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	2,147	15,132
31 – 90 days	1,979	3,307
91 – 180 days	160	297
More than 180 days	<u>2,138</u>	<u>60</u>
	<u>6,424</u>	<u>18,796</u>

13. BANK AND OTHER BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other borrowings	42,912	5,950
Bank borrowing	<u>1,498,974</u>	<u>1,456,037</u>
	<u>1,541,886</u>	<u>1,461,987</u>
Current:		
Unsecured other borrowings – principal portion (<i>note (i)</i>)	14,760	4,760
Unsecured other borrowings – interest portion (<i>note (i)</i>)	2,729	1,190
Secured bank borrowing – principal portion (<i>note (ii)</i>)	12,300	11,900
Secured bank borrowing – interest portion (<i>note (ii)</i>)	<u>3,160</u>	<u>2,786</u>
	<u>32,949</u>	<u>20,636</u>
Non-current:		
Unsecured other borrowings – principal portion (<i>note (iii)</i>)	24,691	–
Unsecured other borrowings – interest portion (<i>note (iii)</i>)	732	–
Secured bank borrowing – principal portion (<i>note (ii)</i>)	<u>1,483,514</u>	<u>1,441,351</u>
	<u>1,508,937</u>	<u>1,441,351</u>
Total bank and other borrowings	<u>1,541,886</u>	<u>1,461,987</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 year	32,949	20,636
More than 1 year but less than 2 years	50,022	23,800
More than 2 years but less than 5 years	332,100	321,300
More than 5 years	<u>1,126,815</u>	<u>1,096,251</u>
	<u>1,541,886</u>	<u>1,461,987</u>

Notes:

- (i) The unsecured other borrowings as at 31 March 2022 represented the unsecured borrowings from related companies, which are beneficially owned by Mr. Hu, with (a) principal amount of RMB10,000,000 (31 March 2021: RMB4,000,000), equivalent to HK\$12,300,000 (31 March 2021: HK\$4,760,000) carrying fixed interest rate of 15% per annum; and interest payable of RMB2,105,000 (31 March 2021: RMB1,000,000), equivalent to HK\$2,589,000 (31 March 2021: HK\$1,190,000); and (b) principal amount of RMB2,000,000 (31 March 2021: nil), equivalent to approximately HK\$2,460,000 (31 March 2021: nil) carrying fixed interest rate of 15% per annum; and interest payable of RMB114,000 (31 March 2021: nil), equivalent to HK\$140,000 (31 March 2021: nil), and will mature on 1 January 2023.
- (ii) The secured bank borrowing with total principal amount of RMB1,216,109,000 (31 March 2021: RMB1,221,219,000), equivalent to HK\$1,495,814,000 (31 March 2021: HK\$1,453,251,000).

The secured bank borrowing carries a fixed interest rate of 7% per annum, with the interest payable quarterly, and will mature on 30 March 2035.

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	550,169	553,526
Properties held for sale	465,440	455,873
Right-of-use-assets	203,110	200,532
Investment properties	<u>1,940,835</u>	<u>1,935,457</u>

- (iii) On 1 July 2021, an unsecured revolving loan facility with facility amount of HK\$100,000,000 has been granted from a related company which is beneficially owned by Mr. Hu, which carries a fixed interest rate of 8% per annum, with maturity date on 31 December 2023.

The balance as at 31 March 2022 represented principal amount of approximately HK\$24,691,000 (31 March 2021: nil) and interest payable of approximately HK\$732,000 (31 March 2021: nil).

- (iv) As at 31 March 2022, the Group's secured bank borrowing with carrying amount of approximately HK\$1,495,814,000 (2021: HK\$1,453,251,000) is subject to the fulfilment of covenants relating to certain usage restriction. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 March 2022, none of the covenants relating to drawn down facilities had been breached (2021: nil).

14. PROMISSORY NOTES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At the beginning of the year	1,042,307	980,195
Interest charge (<i>note 6</i>)	53,745	62,112
Issue shares for the repayment (<i>note 17(iv)</i>)	<u>(228,000)</u>	<u>–</u>
At the end of year	<u>868,052</u>	<u>1,042,307</u>

On 28 July 2016, the Company issued promissory notes with aggregate principal amount of HK\$1,168,000,000 as part of the consideration to acquire the entire equity interest in Gloryyear Investment Limited and its subsidiaries. The promissory notes are unsecured, carries a fixed interest rate of 8% per annum and would mature on 28 July 2019. All interests will be paid on the 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 (“**Total Idea**”), in which Mr. Hu, the executive director and chairman of the Company, is the ultimate beneficial owner.

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

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

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

On 12 October 2021, promissory notes with aggregate principal amount of HK\$228,000,000 were early redeemed by the Company, while promissory notes with aggregate principal amount of HK\$550,000,000 remained outstanding. Details are set out in the Company’s circular dated 16 September 2021 and the Company’s announcement dated 5 October 2021.

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

15. UNSECURED BORROWINGS FROM A DIRECTOR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Unsecured borrowings denominated in RMB (<i>note (i)</i>)		
– principal portion	300,354	247,568
– interest portion	<u>77,207</u>	<u>55,937</u>
	<u>377,561</u>	<u>303,505</u>
Unsecured borrowing denominated in HK\$ (<i>note (ii)</i>)		
– principal portion	–	90,274
– interest portion	<u>14,765</u>	<u>10,632</u>
	<u>14,765</u>	<u>100,906</u>
	<u><u>392,326</u></u>	<u><u>404,411</u></u>
Amounts shown under current liabilities	14,765	–
Amounts shown under non-current liabilities	<u>377,561</u>	<u>404,411</u>
	<u><u>392,326</u></u>	<u><u>404,411</u></u>

Notes:

- (i) On 1 June 2018 and 29 August 2018, an unsecured revolving loan facility with an aggregate facility amount of RMB500,000,000 (equivalent to HK\$615,000,000) has been granted from Mr. Hu to certain subsidiaries established in the PRC which carries a fixed interest rate of 9% per annum. On 30 November 2021, the maturity date of the above-mentioned loan facility has been further extended from 6 July 2022 to 6 July 2023.

As at 31 March 2022, unsecured borrowings with aggregate principal amount of RMB244,190,000 (31 March 2021: RMB208,040,000), equivalent to approximately HK\$300,354,000 (31 March 2021: HK\$247,568,000), 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 with maximum facility amount of HK\$100,000,000 has been granted from Mr. Hu to an indirectly wholly-owned subsidiary of the Company, which carries a fixed interest rate of 8% per annum, with maturity date on 6 July 2022.

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

As at 31 March 2022, none of the facility (31 March 2021: HK\$90,274,000) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fixed rate		
– expiring on 6 July 2022	100,000	357,158
– expiring on 6 July 2023	<u>314,646</u>	<u>–</u>
	<u>414,646</u>	<u>357,158</u>

16. CAPITAL COMMITMENT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Capital expenditure contracted but not provided for in the consolidated financial statements		
– Construction of properties	<u>1,963</u>	<u>1,898</u>

17. SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Share capital <i>HK\$'000</i>
Ordinary shares			
Authorised			
At 1 April 2020 (<i>HK\$0.1 each</i>)		5,000,000	500,000
Share Consolidation	<i>(iii)</i>	<u>(4,000,000)</u>	<u>–</u>
At 31 March 2021, 1 April 2021 and 31 March 2022 (<i>HK\$0.5 each</i>)		<u>1,000,000</u>	<u>500,000</u>
Issued and fully paid			
At 1 April 2020 (<i>HK\$0.1 each</i>)		1,906,172	190,617
Issue of shares upon placing	<i>(i)</i>	141,104	14,110
Issue of new shares for acquisition of subsidiaries	<i>(ii)</i>	163,717	16,372
Share Consolidation	<i>(iii)</i>	<u>(1,768,794)</u>	<u>–</u>
At 31 March 2021 (<i>HK\$0.5 each</i>)		442,199	221,099
Issue of shares for settlement of indebtedness	<i>(iv)</i>	<u>205,000</u>	<u>102,500</u>
At 31 March 2022 (<i>HK\$0.5 each</i>)		<u>647,199</u>	<u>323,599</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\$50,427,000, and the related directly attributable expenses were approximately HK\$1,041,000.
- (ii) On 30 October 2020, the Group acquired Doof Japan and its subsidiaries (collectively referred as the “**Doof Japan Group**”) by allotting 163,717,121 ordinary shares of the Company 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 of the Company 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.
- (iv) On 17 August 2021, the Company entered into a subscription agreement with Total Idea, pursuant to which Total Idea conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 142,500,000 subscription shares of the Company at the subscription price of HK\$1.60 per subscription share. The aggregated subscription price shall be satisfied in full by setting off against the Company’s obligation to repay part of the promissory notes (i.e. the promissory notes to be set-off of HK\$228,000,000).

On 17 August 2021, the Company entered into a subscription agreement with Faithful Goal International Limited (“**Faithful Goal**”), an indirectly wholly-owned subsidiary, and Mr. Hu, pursuant to which Mr. Hu conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 62,500,000 subscription shares of the Company at HK\$1.60 per subscription share. The aggregated subscription price shall be satisfied in full by setting off against Faithful Goal’s obligation to repay part of the unsecured borrowings from a director of HK\$100,000,000.

The subscriptions were completed on 12 October 2021.

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

18. BUSINESS COMBINATION UNDER COMMON CONTROL

On 14 July 2020, Decent Start Limited (“**Decent Start**”), a wholly-owned subsidiary of the Company, 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, a private company incorporated in Japan and the shareholder’s loan of approximately JPY1,975,537,000 (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 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, Yoichi Country Kabushiki Kaisha* (余市鄉村株式會社) (“**Yoichi Country**”) are investment holding and hotel operation in Japan respectively.

* For identification purpose only

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 2022 as set out in this preliminary announcement have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

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

The Group would like to provide an extract from the independent auditor's report prepared by SHINEWING (HK) CPA Limited (the independent auditor) on the Group's annual consolidated financial statements for the year ended 31 March 2022 as set out below:

Material Uncertainty Relating to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of HK\$375,610,000 during the year ended 31 March 2022 and, as of that date, the Group had total current liabilities of approximately HK\$364,548,000 while the Group had bank balances and cash of approximately HK\$31,770,000. As stated in note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

The Board is pleased to report the results of the Group for the year ended 31 March 2022 ("FY22"). During FY22, basic loss per share was HK\$0.69 (For the year ended 31 March 2021 ("FY21"): HK\$1.26), and total comprehensive expenses was approximately HK\$326,969,000 (FY21: HK\$396,025,000).

Business Review

During FY22, the Group had engaged in four business streams including (i) property development, sales and leasing of properties; (ii) provision of property management services (the “**Property management**”); (iii) provision of renovation and decoration services (the “**Renovation and decoration**”); and (iv) hotel operation in Hokkaido, Japan (the “**Hotel operation in Japan**”), to create diversified income sources for the Group.

Chongqing Property

Revenue: HK\$37,418,000 (FY21: HK\$62,053,000)

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\$1,957,299,000 as at 31 March 2022, which was equivalent to 58.39% of total assets of the Group.

Despite the prolonged impacts of the COVID-19 pandemic, revenue from serviced apartments and the shopping mall recorded improvement, benefitting from occupancy rate and letting rate increment. Revenue from the sale of residential apartments was lower than expected. The overall result is inevitably affected by the COVID-19 situation. However, we believe that it will become the steady income source of the Group in the long run.

Property Management

Revenue: HK\$30,919,000 (FY21: HK\$26,249,000)

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

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

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

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

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

Renovation and Decoration

Revenue: HK\$40,329,000 (FY21: HK\$62,394,000)

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

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

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

Hotel operation in Japan

Revenue: HK\$7,990,000 (FY21: HK\$8,033,000)

Doof Japan, an indirect wholly-owned subsidiary of the Company, operates a resort hotel and a 18-hole golf course located in Hokkaido, Japan.

The prolonged COVID-19 pandemic inhibited the inbound tourism in Japan. However, as the vaccination rates continue to rise, the Japanese government has begun to open up the borders and continuously increased the number of entry permits. It is expected that full entry will be opened shortly, providing full support to the operation of the hotel and golf course.

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

Given the natural beauty, the Hokkaido hotel will gradually improve its operation and management capabilities. It is expected that the future income generated by Doof Japan and its subsidiaries will have more room for improvement as the global pandemic ends.

Looking Forward

The redevelopment of Chongqing Property has been completed. We believe that the serviced apartments will gradually generate positive returns in the future, as a result of its geographical advantage and managerial experience. However, the shopping mall operation is still in its nurturing stage. The sales of residential apartments have also fallen short of expectations due to the effects of the volatile pandemic in Mainland China. Nonetheless, we believe that with the improvement of the pandemic, the shopping mall operation and the sales of residential apartments will have potential growth.

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

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.

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

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

Financial Review

Revenue, gross loss and gross loss margin

Revenue of the Group for FY22 amounted to HK\$116,656,000 (FY21: HK\$158,729,000), which comprised of leasing income from the Chongqing Property, income from the Japan resort hotel, property management service income and renovation and decoration income. The decrease in revenue by HK\$42,073,000 as compared to the prior year was mainly contributed from the overall revenue of Chongqing Property.

Gross loss of the Group decreased by 65.43% from HK\$24,278,000 in FY21 to HK\$8,394,000 in FY22. The negative profit margin decreased to 7.20% in FY22 (FY21: 15.30%). The improvement in gross loss mainly arose from the increased occupancy rate of serviced apartments and shopping mall in Chongqing and the reduction in the cost of operation, which resulted in significant improvement in the rental income and gross loss of the Group's Chongqing Property. However, the pandemic had a serious impact on the overall economic environment and consumption, so that revenue from the Group's operations could not fully offset the corresponding cost of sales and gross loss arose therefrom.

Selling and administrative expenses

Selling and administrative expenses mainly comprised of selling expenses of HK\$13,835,000 (FY21: HK\$18,358,000) and administrative expenses of HK\$82,830,000 (FY21: HK\$103,742,000). The selling and administrative expenses have been reduced effectively as a result of strengthened cost control measures during FY22.

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

The loss attributable to the equity holders of the Company decreased to HK\$371,735,000 (FY21: HK\$521,821,000), and the total comprehensive expenses for FY22 attributable to owners of the Company was HK\$323,153,000 (FY21: HK\$397,998,000) which was mainly attributable to (i) gross loss of HK\$8,394,000 mainly arising from unsatisfactory result of the serviced apartment operation and hotel operation in Japan resulted from travel restrictions and lockdowns measures; (ii) decrease in fair value of investment properties amounted to HK\$69,366,000; (iii) the impairment loss on properties held for sale amounted to HK\$5,710,000; and (iv) increase in finance cost to HK\$185,602,000 (FY21: HK\$154,398,000) as finance cost was not capitalised during the year following the completion of our property redevelopment project in Chongqing.

Liquidity and capital resources

As at 31 March 2022, the Group's total equity was HK\$190,159,000 (2021: HK\$189,128,000), represented a slightly increase of 0.55% as compared to prior year, which was mainly attributable to (i) the exchange gain on translation of foreign operations of HK\$48,641,000 as a result of the appreciation of Renminbi against Hong Kong dollars; (ii) allot and issue 142,500,000 subscription shares to repay part of the promissory notes (i.e. the promissory notes to be offsetted of HK\$228,000,000); and (iii) allot and issue 62,500,000 subscription shares to repay the principal amount of unsecured borrowing from Mr. Hu of HK\$100,000,000. Such impact on total equity was partially offset by the loss attributable to the equity holders of the Company for FY22 amounted to HK\$371,735,000.

During the year ended 31 March 2020, 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 2022, the Group had cash and cash equivalents of HK\$31,770,000 (2021: HK\$153,787,000). Cash and bank balances were mainly denominated in Renminbi. The Group's current assets amounted to HK\$544,014,000 (2021: HK\$670,556,000). The current ratio, represented by total current assets divided by total current liabilities, was 1.49 (2021: 1.71).

As at 31 March 2022, the Group had current liabilities of HK\$364,548,000 (2021: HK\$391,629,000) and total borrowings, representing bank and other borrowings, promissory notes and unsecured borrowings from a Director, amounted to HK\$2,802,264,000 (2021: HK\$2,908,705,000) 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 14.74 (2021: 15.38). Approximately HK\$47,714,000 (2021: HK\$20,636,000) of the total borrowings will be due in the coming twelve months from the end of the reporting period. As at 31 March 2022, the Group had capital commitment of HK\$1,963,000 (2021: HK\$1,898,000), while its net current assets and cash and cash equivalents amounted to HK\$179,466,000 (2021: HK\$278,927,000) and HK\$31,770,000 (2021: HK\$153,787,000), respectively.

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 2022 which have taken into account the following measures:

- (1) The operation of the project of Chongqing Kingstone, an indirect wholly-owned subsidiary of the Company, is expected to continue to generate operating cash inflows to the Group;
- (2) The continuous financial support from Mr. Hu with unutilised facilities as at 31 March 2022 amounted to approximately HK\$414,646,000 available for drawdown at the Group's request; and
- (3) The continuous financial support from a related company which is beneficial owned by Mr. Hu with unutilised facilities as at 31 March 2022 amounted to approximately HK\$75,309,000 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 2022. 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 FY22.

The Group did not enter into any foreign exchange contract as hedging measures during FY22. 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 2022, the Group had a total workforce of 393 (2021: 399). The total staff cost, including Directors' emoluments and mandatory provident fund contributions, amounted to HK\$72,688,000 (2021: HK\$67,245,000). Employees are remunerated based on their performance and experience. Remuneration package is determined by reference to market conditions and individual performance. In order to align the interests of staff, Directors and consultants with the Group, share options may be granted to staff, Directors and consultants under the Group's share option scheme (the “**2012 Share Option Scheme**”). There were no share options outstanding under the 2012 Share Option Scheme as at 31 March 2022.

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

The Group’s contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the two years ended 31 March 2021 and 31 March 2022, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 31 March 2021 and 31 March 2022.

For each of the two years ended 31 March 2021 and 31 March 2022, the Group did not have any defined benefit plan.

Use of Proceeds

Connected Transaction in relation to Subscriptions of New Shares under Specific Mandates

On 17 August 2021, the Company entered into a subscription agreement (the “**Subscription Agreement I**”) with Total Idea International Limited (“**Total Idea**”), a company incorporated under the laws of British Virgin Islands and indirectly wholly owned by Mr. Hu, pursuant to which Total Idea conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 142,500,000 subscription shares at the subscription price of HK\$1.60 per subscription share in settlement of promissory notes with a principal amount of HK\$228,000,000 (the “**Promissory Notes**”).

On the even day, the Company entered into another subscription agreement (the “**Subscription Agreement II**”, together with the Subscription Agreement I, the “**Subscription Agreements**”) with Faithful Goal International Limited (“**Faithful Goal**”), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of the Company, and Mr. Hu, pursuant to which Mr. Hu conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 62,500,000 subscription shares at the subscription price of HK\$1.60 per subscription share in settlement of the principal amount of unsecured borrowings from Mr. Hu of HK\$100,000,000 (the “**Loan**”).

The subscription shares under the Subscription Agreement I and Subscription Agreement II ranked pari passu in all respects with the then existing issued shares at a par value of HK\$0.50. The subscription shares under the Subscription Agreement I have a nominal value of HK\$71,250,000 and the subscription shares under the Subscription Agreement II have a nominal value of HK\$31,250,000. The total subscription shares (the “**Subscription Share(s)**”) have a nominal value of HK\$102,500,000.

The subscription price of HK\$1.60 per Subscription Share represents:

- (i) a premium of approximately 5.26% over the closing price per share of HK\$1.52 as quoted on the Stock Exchange on 17 August 2021, being the date of the Subscription Agreements;
- (ii) a premium of approximately 1.91% over the average closing price per share of HK\$1.57 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreements; and
- (iii) a discount of approximately 2.44% to the average closing price per share of HK\$1.64 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Subscription Agreements.

As at 10 September 2021, being the latest practicable date prior to the printing of the circular dated 16 September 2021 in relation to the above-mentioned subscriptions (the “**Subscriptions**”) for the purpose of ascertaining certain information contained herein, the aggregate outstanding principal amount of the Promissory Notes was HK\$778,000,000 and the Loan in the principal sum of HK\$100,000,000 was outstanding.

The Subscriptions were completed on 12 October 2021.

As the aggregated subscription price for the Subscription Shares under the Subscription Agreements were satisfied by setting off the aggregate principal sums of the Promissory Notes to be set-off and the Loan, there were no cash proceeds from the Subscriptions.

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

For details of the Subscriptions, please refer to the circular dated 16 September 2021 and announcements dated 17 August 2021, 5 October 2021 and 30 November 2021.

Charge on Asset and Contingent Liabilities

As at 31 March 2022, the Chongqing Property was pledged to secure banking borrowings granted to Chongqing Kingstone.

As at 31 March 2022, the Group had no material contingent liabilities.

Significant Investments Held

Save as disclosed above, the Group held no significant investment as at 31 March 2022.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed herein, for FY22, there were no other material acquisitions and disposal of subsidiaries, associates or joint ventures by the Group.

Capital Structure

Save as disclosed herein, there has been no change in the capital structure of the Group during FY22. 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 2022. To ensure Directors’ dealings in the securities of the Company (the “**Securities**”) are conducted in accordance with the Model Code and securities code of the Company, a Director is required to notify the Chairman in writing and obtain a written acknowledgement from the Chairman prior to any dealings in the Securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive Directors, has reviewed with the management in conjunction with the auditor, the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended 31 March 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

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 2022.

PROSPECTS

Due to the resurgence of COVID-19 in Mainland China, we expect the operating environment will remain uncertain, however, the long-term positive trend will not change. In the future, the Company will continue to focus on (i) monitoring the financial performance of the existing businesses; (ii) reducing the operating expenses and fees; and (iii) improving the profitability of on each asset to generate stable income and cash flows, and lower the gearing ratio and the finance costs.

In addition, the Group will continue to identify investment and merger and acquisition opportunities with growth potential to enhance its overall financial performance and diversify its investment portfolio with an aim to diversify risks and create value for shareholders.

EVENT AFTER REPORTING PERIOD

No significant events took place subsequent to 31 March 2022.

BOARD OF DIRECTORS

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

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

Hong Kong, 23 June 2022

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.