MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The board of directors (the "**Board**") of Man Sang International Limited (the "**Company**") is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 September 2023, together with the unaudited comparative figures for the corresponding period in 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2023

	Notes	**Six months ended 30 September 2023** *HK$'000* **(Unaudited)**	Six months ended 30 September 2022 *HK$'000* (Unaudited)
Revenue	3	**68,634**	82,919
Cost of sales		**(62,830)**	(80,522)
Gross profit		**5,804**	2,397
Other income and (losses) gains, net		**1,930**	(1,423)
Decrease in fair value of financial asset at fair value through profit or loss		**–**	(246)
Selling expenses		**(6,566)**	(8,342)
Administrative expenses		**(24,265)**	(45,251)
Impairment loss on right-of-use asset		**(3,689)**	–
Impairment loss on property, plant and equipment		**(11,067)**	–
Impairment loss on properties held for sales		**(4,232)**	–
Decrease in fair values of investment properties		**(37,569)**	(1,040)
Finance income		**19**	32
Finance costs	4	**(78,844)**	(88,998)
Loss before tax	5	**(158,479)**	(142,871)
Income tax expenses	6	**(1,174)**	(3,218)
Loss for the period		**(159,653)**	(146,089)
Attributable to:			
Equity holders of the Company		**(160,905)**	(146,860)
Non-controlling interest		**1,252**	771
		(159,653)	(146,089)
LOSS PER SHARE			
– basic and diluted *(HK cents)*	8	**(24.86)**	(22.69)

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(159,653)**	(146,089)
Other comprehensive expenses:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(24,868)**	(113,781)
Total comprehensive expenses for the period	**(184,521)**	(259,870)
Total comprehensive expenses for the period attributable to:		
Equity holders of the Company	**(185,838)**	(260,718)
Non-controlling interests	**1,317**	848
	(184,521)	(259,870)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

	Notes	**30 September 2023** *HK$'000* **(Unaudited)**	31 March 2023 *HK$'000* (Audited)
Non-current assets			
Investment properties	9	**1,487,527**	1,620,189
Property, plant and equipment	9	**486,933**	540,205
Right-of-use assets		**164,025**	179,660
Intangible asset		**1,611**	1,652
Other receivables	10	**2,890**	5,177
		2,142,986	2,346,883
Current assets			
Properties held for sales		**345,308**	379,983
Inventories		**87**	147
Trade and other receivables	10	**27,503**	26,975
Contract assets		**14,631**	18,913
Amounts due from related companies		**10,789**	9,614
Cash and cash equivalents		**33,748**	32,869
		432,066	468,501
Current liabilities			
Trade and other payables	11	**162,132**	184,972
Amounts due to related companies		**4,590**	2,335
Tax payables		**138,211**	151,182
Bank and other borrowings	13	**147,717**	123,047
Lease liabilities		**2,295**	2,261
		454,945	463,797
Net current (liabilities) assets		**(22,879)**	4,704
Total assets less current liabilities		**2,120,107**	2,351,587

	Notes	30 September 2023 HK$'000 (Unaudited)	31 March 2023 HK$'000 (Audited)
Non-current liabilities			
Deferred income tax liabilities		**10,743**	12,703
Promissory notes	12	**934,112**	912,052
Bank and other borrowings	13	**1,268,448**	1,338,441
Unsecured borrowings from a director	14	**482,142**	477,516
Lease liabilities		**6,947**	8,639
		2,702,392	2,749,351
Net liabilities		**(582,285)**	(397,764)
Capital and reserves			
Share capital		**323,599**	323,599
Reserves		**(905,771)**	(719,933)
Equity attributable to owners of the Company		**(582,172)**	(396,334)
Non-controlling interests		**(113)**	(1,430)
Total equity		**(582,285)**	(397,764)

NOTES

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

This condensed consolidated interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

During the six months ended 30 September 2023, the Group reported loss of approximately HK$159,653,000. As at 30 September 2023, the Group had total current liabilities of approximately HK$454,945,000 while the Group had bank balances and cash of approximately HK$33,748,000.

In preparing the condensed consolidated interim financial information of the Group, the directors of the Company have reviewed the Group's cash flow projections covering a period of not less than twelve months from 30 September 2023 and have given careful consideration to the Group's future liquidity, performance and available resources, including but not limited to:

(a) The operation of the property project of Chongqing Kingstone Land Co., Ltd.* (重慶皇石置地有限公司) ("**Chongqing Kingstone**"), an indirect wholly-owned subsidiary of the Company, is expected to continue to generate operating cash inflows to the Group by actively adjusting sales activities to better respond to market needs;

(b) Provision of the drawdown of the Group's unused loan facilities with Mr. Hu of approximately HK$598,554,000, all of which will expire in December 2025;

(c) Provision of the drawdown of the Group's unused loan facilities with Mr. Hu's controlled related company of approximately HK$39,657,000, which will expire in December 2025; and

(d) The Group will continuously comply with financial covenants and other terms and conditions of the secured bank borrowings, including timely repayment of principal and interests of the bank borrowings.

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

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

* *For identification purpose only*

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 30 September 2023. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for investment properties, financial asset at fair value through profit or loss and properties held for sales which are measured at fair values at the end of each reporting period.

The accounting policies used in the preparation of these condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2023 except as described below.

Application of New and Amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 April 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the amendments to HKFRSs in the current interim period 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 condensed consolidated interim financial information.

3. REVENUE AND SEGMENT INFORMATION

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

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

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 segments 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; and

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 six months ended 30 September 2023 (unaudited)

	Chongqing Property *HK$'000*	**Property management services** *HK$'000*	**Renovation and decoration** *HK$'000*	**Hotel operation in Japan** *HK$'000*	**Total** *HK$'000*
REVENUE					
Revenue from external customers	**25,306**	**11,177**	**25,370**	**6,781**	**68,634**
Segment (loss) profit	**(131,182)**	**(1,871)**	**7,276**	**(1,725)**	**(127,502)**
Unallocated income					**1**
Unallocated expenses					**(30,978)**
Loss before tax					**(158,479)**

For the six months ended 30 September 2022 (unaudited)

	Chongqing Property *HK$'000*	Property management services *HK$'000*	Renovation and decoration *HK$'000*	Hotel operation in Japan *HK$'000*	Total *HK$'000*
REVENUE					
Revenue from external customers	22,852	17,549	36,321	6,197	82,919
Segment (loss) profit	(106,966)	3,486	2,895	(4,692)	(105,277)
Unallocated income					1
Unallocated expenses					(37,595)
Loss before tax					(142,871)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain finance income, certain finance costs and certain expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

4. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance income:		
– Bank interest income	**(19)**	(32)
Finance costs:		
– Interest on bank and other borrowings	**40,589**	52,649
– Interest on unsecured borrowings from a director	**15,850**	13,887
– Interest on promissory notes *(note 12)*	**22,060**	22,060
– Interest on lease liabilities	**345**	402
	78,844	88,998

5. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of completed properties held for sales	**7,342**	9,192
Impairment loss on right-of-use asset	**3,689**	–
Impairment loss on property, plant and equipment	**11,067**	–
Impairment loss on properties held for sales	**4,232**	–
Depreciation of property, plant and equipment	**11,169**	16,268
Depreciation of right-of-use assets	**3,218**	2,808

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC Enterprise Income Tax	**1,659**	3,043
– PRC Land Appreciation Tax	**–**	89
	1,659	3,132
Deferred income tax	**(485)**	86
	1,174	3,218

Hong Kong Profits Tax

No Hong Kong Profits Tax has been provided since no assessable profits have been generated during the six months ended 30 September 2023 (2022: nil).

Japan Corporate Income Tax

No Japan Corporate Income Tax has been provided since no assessable profits have been generated the six months ended 30 September 2023 (2022: nil).

The PRC Enterprise Income Tax

The PRC Enterprise Income Tax in respect of operations in the Mainland China is calculated at a rate of 25% (2022: 25%) on the estimated assessable profits for the six months ended 30 September 2023 under the Law of the PRC's on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law.

The PRC Land Appreciation Tax

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

7. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

8. LOSS PER SHARE

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

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to equity holders of the Company for the purpose of calculation of the basic and diluted loss per share	**(160,905)**	(146,860)
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	**647,199**	647,199

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

No potential dilutive shares in issue during the six months ended 30 September 2023 and 2022, basic and dilutive loss per share are the same for both reporting periods.

9. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Valuations of the Group's investment properties as at 30 September 2023 and 31 March 2023 were performed by CHFT Advisory and Appraisals Limited, an independent professional valuer not connected with the Group who holds recognised relevant professional qualification and have recent experience in valuing similar properties in the similar locations for the properties located in Chongqing.

The fair value measurements for the investment properties are included in level 3 of the fair value hierarchy. There were no transfers between levels of fair value hierarchy during the six months ended 30 September 2023 and year ended 31 March 2023.

The valuation of the investment properties was determined by using the market approach or income approach. In estimating the fair value of the Group's investment properties, the highest and best use of these properties is their current use.

Under the market approach, by making reference to the observable comparables from market.

Under the income approach, by making reference to the capitalised income derived from market observable transactions.

There are no changes to the valuation techniques as at 30 September 2023 and 31 March 2023.

During the six months ended 30 September 2023, addition to the Group's investment properties was approximately HK$27,000 (six months ended 30 September 2022: Nil). As at 30 September 2023, the carrying amount of the investment properties is approximately HK$1,487,527,000 (31 March 2023: approximately HK$1,620,189,000), with decrease in fair value of investment properties of approximately HK$37,569,000 during the six months ended 30 September 2023 (six months ended 30 September 2022: approximately HK$1,040,000).

During the six months ended 30 September 2023, additions to the Group's property, plant and equipment were approximately HK$69,000 (six months ended 30 September 2022: approximately HK$2,710,000).

During the six months ended 30 September 2023, an impairment loss on property, plant and equipment amounted to approximately HK$11,067,000 (2022: Nil) was recognised in profit or loss.

10. TRADE AND OTHER RECEIVABLES

	30 September 2023 *HK$'000* **(Unaudited)**	31 March 2023 *HK$'000* (Audited)
Trade receivables	**17,438**	19,069
Less: allowance for impairment of trade receivables	**(4,406)**	(4,721)
	13,032	14,348
Deposits and other receivables	**17,315**	17,771
Less: allowance for impairment of other receivables	**(1,067)**	(1,067)
Prepayments	**1,113**	1,100
	30,393	32,152
Amount shown under current assets	**27,503**	26,975
Amount shown under non-current assets	**2,890**	5,177

11. TRADE AND OTHER PAYABLES

	30 September 2023 *HK$'000* **(Unaudited)**	31 March 2023 *HK$'000* (Audited)
Trade payables	**8,839**	10,910
Construction costs accruals and payables	**64,573**	88,940
Other accruals and payables	**88,720**	85,122
	162,132	184,972
Analysed as		
Current	**162,132**	184,972

12. PROMISSORY NOTES

	30 September 2023 *HK$'000* **(Unaudited)**	31 March 2023 *HK$'000* (Audited)
At the beginning of the period/year	**912,052**	868,052
Interest charged *(note 4)*	**22,060**	44,000
At the end of the period/year	**934,112**	912,052
Amounts shown under non-current liabilities	**934,112**	912,052

As at 30 September 2023, the promissory notes with principal amount of HKD550,000,000 (31 March 2023: HKD550,000,000) and interest accrued thereon of approximately HK$384,112,000 (31 March 2023: approximately HK$362,052,000) will mature on 31 December 2025. All interests are to 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%.

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.

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

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

13. BANK AND OTHER BORROWINGS

	30 September 2023 HK$'000 (Unaudited)	31 March 2023 HK$'000 (Audited)
Other borrowings	**83,884**	72,199
Bank borrowing	**1,332,281**	1,389,289
	1,416,165	1,461,488
Current:		
Unsecured other loan – principal portion *(note (i))*	**12,198**	12,996
Unsecured other loan – interest portion *(note (i))*	**5,178**	4,526
Secured bank loan – principal portion *(note (ii))*	**96,300**	102,600
Secured bank loan – interest portion *(note (ii))*	**34,041**	2,925
	147,717	123,047
Non-current:		
Unsecured other loan – principal portion *(note (iii))*	**60,343**	50,777
Unsecured other loan – interest portion *(note (iii))*	**6,165**	3,900
Secured bank loan – principal portion *(note (ii))*	**1,201,940**	1,283,764
	1,268,448	1,338,441
Total bank and other borrowings	**1,416,165**	1,461,488

Notes:

(i) The unsecured other borrowings as at 30 September 2023 represented the unsecured borrowings from related companies, which are beneficially owned by Mr. Hu, with outstanding principal amount of RMB11,400,000 (31 March 2023: RMB11,400,000), equivalent to HK$12,198,000 (31 March 2023: HK$12,996,000) carrying fixed interest rate of 15% per annum (31 March 2023: 15% per annum); and interest payable of approximately RMB4,839,000 (31 March 2023: approximately RMB3,970,000), equivalent to approximately HK$5,178,000 (31 March 2023: approximately HK$4,526,000), which are repayable on the maturity date.

(ii) The secured bank borrowing with total principal amount of approximately RMB1,213,309,000 (31 March 2023: approximately RMB1,216,109,000), equivalent to approximately HK$1,298,240,000 (31 March 2023: approximately HK$1,386,364,000).

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

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

	30 September 2023	31 March 2023
	HK$'000	*HK$'000*
Property, plant and equipment	**441,253**	485,625
Properties held for sale	**345,308**	379,983
Right-of-use assets	**163,411**	178,764
Investment properties	**1,483,288**	1,607,478

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

As at 30 September 2023, unsecured revolving loan facility with aggregate principal amount of approximately HK$60,343,000 (31 March 2023: approximately HK$50,777,000) has been drawn down and interest payable of approximately HK$6,165,000 (31 March 2023: approximately HK$3,900,000), which will be repayable on the maturity date. The remaining loan facility with principal amount of approximately HK$39,657,000 (31 March 2023: approximately HK$49,223,000) has not yet been utilised.

(iv) As at 30 September 2023, the Group's secured bank borrowing with carrying amount of approximately HK$1,298,240,000 (31 March 2023: approximately HK$1,386,364,000) is subject to the fulfilment of covenants relating to certain usage restriction. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 September 2023, none of the covenants relating to drawn down facilities had been breached (31 March 2023: nil).

14. UNSECURED BORROWINGS FROM A DIRECTOR

	30 September 2023	31 March 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unsecured borrowings denominated in RMB *(note (i))*		
– principal portion	**357,446**	362,205
– interest portion	**109,931**	100,546
	467,377	462,751
Unsecured borrowing denominated in HK$ *(note (ii))*		
– interest portion	**14,765**	14,765
	482,142	477,516
Amounts shown under non-current liabilities	**482,142**	477,516

Notes:

(i) On 1 June 2018 and 29 August 2018, an unsecured revolving loan facility with an aggregate facility amount of RMB500,000,000 (as at 30 September 2023: equivalent to HK$535,000,000) has been granted from Mr. Hu to certain subsidiaries established in the PRC which carries a fixed interest rate of 9% per annum, which will be repayable on the maturity date.

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

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

On 27 June 2023, the Group was granted an additional facility amount of RMB300,000,000 (as at 30 September 2023: equivalent to HK$321,000,000) from Mr. Hu while the other terms remained unchanged.

As at 30 September 2023, unsecured borrowings with aggregate principal amount of RMB334,062,000 (31 March 2023: approximately RMB317,723,000), equivalent to approximately HK$357,446,000 (31 March 2023: approximately HK$362,205,000), has been drawn down, remaining approximately RMB465,938,000 (31 March 2023: approximately RMB182,277,000), equivalent to approximately HK$498,554,000 (31 March 2023: approximately HK$207,795,000), has not yet utilised.

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

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

On 12 October 2021, unsecured borrowings and outstanding interest of HK$100,000,000 were settled by the issuance of subscription shares of the Company.

As at 30 September 2023 and 31 March 2023, none of the facility 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:

	30 September 2023	31 March 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Fixed rate		
– expiring on 31 December 2025	**598,554**	307,795

15. EVENT AFTER THE REPORTING PERIOD

There was no significant event noted after 30 September 2023 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The Board is pleased to report the results of the Group for the six months ended 30 September 2023 (the "**Current Period**"). During the Current Period, basic loss per share was HK$0.25 (six months ended 30 September 2022: HK$0.23), and total comprehensive expenses was approximately HK$184,521,000 (six months ended 30 September 2022: approximately HK$259,870,000).

BUSINESS REVIEW

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

Chongqing Property

Revenue: approximately HK$25,306,000 (six months ended 30 September 2022: approximately HK$22,852,000)

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 of 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 approximately HK$1,487,527,000 as at 30 September 2023, which was equivalent to 57.77% of total assets of the Group.

During the Current Period, the overall real estate industry in the PRC has been dampened. Moreover, affected by economic downturn, public purchasing interest has been declining, and majority of purchasers are inclined to wait and see. Thus, the sales of apartments of our projects slowed down. We are currently exploring and practicing the approach of "sales + operation" to increase income and revitalize our assets. Our hotels have an average occupancy rate of over 80%, outperforming surrounding hotels of the same category. The operation of our shopping mall has improved significantly, and its customer traffic and income gradually increased. Sales from apartments and rental income from serviced apartments and shopping mall will remain as steady income sources of the Group in the long run.

* *For identification purpose only*

Property Management

Revenue: approximately HK$11,177,000 (six months ended 30 September 2022: approximately HK$17,549,000)

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

Huiyong has successfully enlarged its operation scale through taking on new projects, thus contributed to its revenue increment. Huiyong is committed to building an advanced property service platform, constructing a smart property management information system, introducing a "platform + steward" service model that creates a community that focuses on comfort, family, health and smart ecology, to provide property owners with a first-class community environment, smart information system and complete security protection, as well as satisfy the needs of property owners in terms of food, shopping, housing, amusement and entertainment, thereby creating a pleasant community with comfortable offices and happy living.

For the first half of 2023, Huiyong's performance was less favorable as compared with the same period of last year. Nevertheless, its management has implemented internal measures to maintain efficient operation capability, reduce costs and enhance efficiency as well as external measures to actively expand operational channels and market. By providing quality services, the management has been actively enhancing brand influence, in order to lay a solid foundation for achieving long-term development goals in the future.

Renovation and Decoration

Revenue: approximately HK$25,370,000 (six months ended 30 September 2022: approximately HK$36,321,000)

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 business segments.

Wenzhou Beichen Construction Co., Ltd. (溫州北宸建設有限公司) ("**Beichen Construction**"), an indirect subsidiary of the Company, is principally engaged in provision of renovation and decoration services.

Beichen Construction specializes in decoration design and construction of hotels, shopping malls, office buildings, schools, hospitals, and other places. Its business is mainly located in Zhejiang, and it's currently gradually expanding business to other provinces. It has completed various quality projects with exquisite craftsmanship and sound construction management. Beichen Construction is continuously exploring new projects, which, together with other engineering projects in progress, are expected to generate sustainable revenue for the Group in the second half of the year.

Hotel Operation in Japan

Revenue: approximately HK$6,781,000 (six months ended 30 September 2022: approximately HK$6,197,000)

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

During the Current Period, as the impact of COVID-19 pandemic gradually subsided, the tourism industry in Japan showed recovery trend. The number of tourists from Europe, the United States of America and South Korea was increasing, which created favourable conditions for hotels and golf courses to achieve a new business record.

As to operation management, the hotel continued to adhere to the Group's guiding philosophy and strategy of "taking root in the local market for common development", and kept close communication with local government body and various industries. While effectively maintaining relationships with local customers, the hotel carried out marketing campaign with focus on tourism market which is currently presenting favourable recovery momentum, such as South Korea, the United States of America, Southeast Asia, etc.. While expanding new source of customers, the hotel kept optimizing the structure of its source of customers, increased proportion of customers with high unit prices and improved comprehensive profitability of facilities. Leveraging the unique competitive advantage of the combination of hotel and golf course, the hotel has been selling the hotel, golf course and its restaurants as packages, which has achieved significant results.

Under the current situation that Japan is gradually entering into post-COVID-19 pandemic era and inbound tourism is presenting relatively favourable recovery momentum, Hokkaido hotel will continuously take advantage of the hotel's uniquely beautiful natural environment and its advantages of uniquely competitive integrated facilities of "hotel + golf course + restaurant" to steadily improve its profitability. Its operating performance is promising.

* *For identification purpose only*

LOOKING FORWARD

With the geographical advantage, quality of projects and managerial experience of Chongqing Property, the serviced apartments have generated positive returns and will continue to provide the Group with considerable and stable income. The shopping mall is in its stage of optimization and reorganization, transformation and upgrading and business mix adjustments. After the re-investigation into real estate market and taking into account the current economic situation and market conditions, the Group will also continue to explore and practice diversified marketing approaches to increase income of residential apartments.

With such existing foundation, Huiyong and Beichen Construction will continue to seek for new opportunities to generate income for the Group.

After the lifting of global pandemic control, the tourism industry in Japan is also gradually recovering and the performance of hotel operation in Hokkaido will be improved.

The Group will continue to focus on (i) monitoring the financial performance of the existing businesses; (ii) continuously 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 and Gross Profit

Revenue of the Group for the Current Period amounted to approximately HK$68,634,000 (six months ended 30 September 2022: HK$82,919,000), which comprised of 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 approximately HK$14,285,000 as compared to prior period mainly resulted from the drop of revenue from property management service segment and renovation and decoration segment.

Despite the decrease in revenue for the Current Period, gross profit of the Group amounted to approximately HK$5,804,000, an increase of 1.42 times from approximately HK$2,397,000 for the six months ended 30 September 2022. The improvement in gross profit for the Current Period mainly arose from the Group had tightening its costs control to all business segments.

Selling and Administrative Expenses

Selling and administrative expenses mainly comprised of selling expenses of approximately HK$6,566,000 (six months ended 30 September 2022: approximately HK$8,342,000) and administrative expenses of approximately HK$24,265,000 (six months ended 30 September 2022: approximately HK$45,251,000). With continuous disciplined cost control strategy, the Group closely managed selling and administrative expenses during the Current Period, as a result both selling expenses and administrative expenses were decreased by approximately 21.29% and 46.38% respectively in comparison to the corresponding period last year.

Loss and Total Comprehensive Expenses for the Year Attributable to Owner of the Company

The loss for the period attributable to the equity holders of the Company for the Current Period is approximately HK$160,905,000 (six month ended 30 September 2022: approximately HK$146,860,000) and the total other comprehensive expenses for the Current Period attributable to equity holders of the Company is approximately HK$185,838,000 (six month ended 30 September 2022: approximately HK$260,718,000) which mainly attributable to (i) loss in exchange difference on translation of foreign operation which amounted to approximately HK$24,868,000; (ii) decrease in fair value of investment properties amounted to approximately HK$37,569,000; (iii) impairment loss on properties held for sales amounted to approximately HK$4,232,000; (iv) impairment loss on right-of-use assets amounted to approximately HK$3,689,000; (v) impairment loss on property, plant and equipment amounted to approximately HK$11,067,000 and (vi) finance costs amounted to approximately HK$78,844,000.

Liquidity and Capital Resources

As at 30 September 2023, the Group had net liabilities of approximately HK$582,285,000 (31 March 2023: approximately HK$397,764,000), net liabilities was mainly attributable to (i) loss attributable to equity holders of the Company for the Current Period amounted to approximately HK$160,905,000 and (ii) exchange loss on translation of foreign operations of approximately HK$ 24,868,000 as a result of a combination of Renminbi ("**RMB**"), and Japanese Yen ("**JPY**") against Hong Kong dollars.

As at 30 September 2023, the Group had cash and cash equivalents of approximately HK$33,748,000 (31 March 2023: approximately HK$32,869,000). Cash and bank balances were mainly denominated in Renminbi. The Group's current assets amounted to approximately HK$432,066,000 (31 March 2023: approximately HK$468,501,000). The current ratio, represented by current assets divided by current liabilities, was approximately 0.95 (31 March 2023: approximately 1.01).

As at 30 September 2023, the Group had current liabilities of approximately HK$454,945,000 (31 March 2023: approximately HK$463,797,000) and total borrowings, representing bank and other borrowings, promissory notes and unsecured borrowings from a director, amounting to approximately HK$2,832,419,000 (31 March 2023: approximately HK$2,851,056,000) which are interest bearing and denominated in Renminbi or Hong Kong dollars. The Group currently does not use any derivatives to manage interest rate risk. Gearing ratio, represented by total borrowings divided by total equity, was approximately negative 4.86 (31 March 2023: approximately negative 7.17) as negative total equity were recorded as at 30 September 2023 and 31 March 2023 respectively. Approximately HK$147,717,000 (31 March 2023: approximately HK$123,047,000) of the total borrowings will be due in the coming twelve months from the end of the Current Period. As at 30 September 2023, the Group had capital commitment of approximately HK$7,122,000 (31 March 2023: approximately HK$7,351,000), while its net current liabilities and cash and cash equivalents amounted to approximately HK$22,879,000 (31 March 2023: net current assets of approximately HK$4,704,000) and HK$33,748,000 (31 March 2023: approximately HK$32,869,000), 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 30 September 2023 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 by actively adjusting sales and marketing activities to better respond to market needs;

(2) Provision of drawdown of the Group's unused loan facilities with Mr. Hu of approximately HK$598,554,000, which will expire in December 2025;

(3) Provision of drawdown of the Group's unused loan facilities with Mr. Hu's controlled related company of approximately HK$39,657,000, which will expire in December 2025; and

(4) The Group will continuously comply with financial covenants and other terms and conditions of the secured bank borrowings, including timely repayment of principal and interests of the bank borrowings.

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

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

Based on the above, in the opinion of the directors of the Company, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2023. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group principally operates its businesses in mainland China, 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 major foreign currency transacted by the Group during the Current Period.

The Group did not enter into any foreign exchange contract as hedging measures during the Current Period. 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 30 September 2023, the Group had a total workforce of 412 (Six months ended 30 September 2022: 469). The total staff cost, including directors' emoluments and mandatory provident fund contributions, amounted to approximately HK$23,920,000 (six months ended 30 September 2022: approximately HK$35,003,000). 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 30 September 2023. The 2012 Share Option Scheme has expired on 16 August 2022, ten years from the date of its adoption.

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

The Group's contributions to the Defined Contribution Schemes vest fully and immediately with the employees. Accordingly, (i) for each of the six months ended 30 September 2022 and 30 September 2023, there was no forfeiture of contributions under the Defined Contribution Schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the Defined Contribution Schemes as at 30 September 2022 and 30 September 2023.

For each of the six months ended 30 September 2022 and 30 September 2023, the Group did not have any defined benefit plan.

CHARGE ON ASSET AND CONTINGENT LIABILITIES

As at 30 September 2023, the Chongqing Property was pledged to secure banking borrowings granted to Chongqing Kingstone.

As at 30 September 2023, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed above, the Group held no significant investment as at 30 September 2023.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed herein, the Company currently does not have any future plans for material investments or capital assets.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RELATING TO THE MASTER AGREEMENT IN RESPECT OF PROVISION OF PROPERTY MANAGEMENT SERVICES AND DECORATION AND RENOVATION ENGINEERING SERVICES

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

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

Mr. Hu is an executive Director and the ultimate controlling Shareholder and thus a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The annual cap for the Management Services for each of the years ended 31 March 2024, 2025 and 2026 is RMB10,500,000 while the annual cap for the Renovation Services for each of the years ended 31 March 2024, 2025 and 2026 is RMB35,000,000.

Reasons for and Benefits of Entering into the Master Agreement

Since around 2019, the Group has adopted a concrete expansion strategy to diversify revenue sources and create shareholders' value, in particular, by taking property development as the Group's core business and integrating upstream and downstream light assets businesses of the industrial chain, and to continuously explore opportunities to make investments and/or acquire businesses or projects that have promising outlooks and prospects.

Through the acquisitions of subsidiaries from Mr. Hu or his associates as disclosed in the Previous Announcements, the Group has been steadily acquiring new and improved resources, skills and technology, while at the same time increasing its project scale and staff size, with an aim to promote business growth and enhance the Group's goodwill in the property development industry as a whole. Currently, the Group is deeply engaged in four business streams including (i) property development, sales and leasing of properties; (ii) provision of property management services; (iii) provision of renovation and decoration services; and (iv) hotel operation in Hokkaido, Japan, to create diversified income sources.

By entering into the Master Agreement, the Group can accumulate relevant experience and improve its reputation and goodwill in the Management Services and Renovation Services businesses through transactions with the Mr. Hu Controlled Companies on large scale and noteworthy projects, which would also bring stable income, reinforce the Group's revenue stream and cash flow, and facilitate the future development plan of the Group. The Master Agreement could bring about significant synergy effect and further promote the business growth of the Group in the property development industry in the long run.

Details of the renewal of transactions have been published on the Company's announcements dated 16 June 2023, 3 July 2023 and 25 July 2023 and the Company's circular dated 3 July 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed herein, for the six months ended 30 September 2023, there were no other material acquisitions and disposal of subsidiaries, associates or joint ventures by the Group.

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.

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

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

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by the directors. The Company confirms that, having made specific enquiry of all directors of the Company, all of the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2023.

PURCHASE, SALE OR REDEMPTION 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 six months ended 30 September 2023.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company, which comprises three independent non-executive directors, namely Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po, has reviewed the unaudited interim results and interim report of the Group for the six months ended 30 September 2023 and has recommended their adoption to the Board.

EVENT AFTER THE CURRENT PERIOD

No significant events after the Current Period and up to the date of this announcement has taken place.

BOARD OF DIRECTORS

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

On behalf of the Board
Man Sang International Limited
Hu Xingrong
Chairman

Hong Kong, 29 November 2023