THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Man Sang International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

Man Sang International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

MAJOR AND CONNECTED TRANSACTION RELATING TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF DOOF JAPAN AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

Alliance Capital Partners Limited
同人融資有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

A notice convening a special general meeting of Man Sang International Limited to be held at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road Wanchai, Hong Kong on Friday, 25 September 2020 at 4:15 p.m.(or immediately after the conclusion or the adjournment of the annual general meeting of the Company to be held at the same venue and on the same day at 4:00 p.m.), is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the special general meeting is also enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk and the Company at www.msil.com.hk.

Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the special general meeting, or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed revoked.

Please see page 1 of this circular for measures being taken to try to prevent and control the spread of the Novel Coronavirus (COVID-19) at the special general meeting, including:

- **compulsory temperature checks**
- **compulsory wearing of surgical face masks for each attendee**
- **no distribution of corporate gifts or refreshments**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the venue of the special general meeting. The Company also encourages its shareholders to consider appointing the chairman of the meeting as its/his/her proxy to vote on the relevant resolutions at the special general meeting as an alternative to attending the meeting in person. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

10 September 2020

CONTENTS

In view of the ongoing Novel Coronavirus ("COVID-19") pandemic and recent requirements, if any, for prevention and control of its spread, the Company will implement the following preventive measures at its special general meeting ("SGM"):

(i) Compulsory body temperature check will be conducted on every shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the SGM venue and be asked to leave the SGM venue.

(ii) Shareholders that (a) have travelled, and have been in close contact with any person who has travelled, outside of Hong Kong (as per guidelines issued by the Hong Kong government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days; (b) are, and have been, in close contact with any person who is, subject to any Hong Kong Government prescribed compulsory quarantine (including home quarantine); (c) are, and have been, in close contact with anyone who has contracted COVID-19, has been tested preliminarily positive of COVID-19 or is suspected of contracting COVID-19; or (d) have any flu-like symptoms, may be denied entry into the SGM venue and be asked to leave the SGM venue.

(iii) All shareholders, proxies and other attendees are required to wear surgical face masks inside the SGM venue at all times. Any person who does not comply with this requirement may be denied entry into the SGM venue and be asked to leave the SGM venue.

(iv) No refreshments will be served, and there will be no corporate gifts. Seating will be arranged to ensure adequate physical distancing between attendees in order to reduce person-to-person contact.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative to attending the meeting in person, shareholders are encouraged to consider appointing the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM by submitting forms of proxy with voting instructions inserted.

The form of proxy is attached to this circular for shareholders who opt to receive printed copies of the Company's corporate communications. Alternatively, the form of proxy can be downloaded from the Company's website at www.msil.com.hk and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. If you are not a registered shareholder (if your shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

"Acquisition"	the acquisition of the Sale Shares and the Shareholder's Loan by the Purchaser from the Vendor pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 14 July 2020 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Announcement"	the announcement of the Company dated 14 July 2020 in relation to, among other things, the Acquisition
"Board"	the board of Directors
"Business Day(s)"	any day (excluding Saturday and Sunday and public holidays) on which licensed banks in Hong Kong are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"Company"	Man Sang International Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 938)
"Completion"	the completion of the Acquisition pursuant to the terms and conditions contained in the Acquisition Agreement
"Completion Date"	seven Business Days immediately following the date on which all conditions are satisfied or waived or such later date as the parties to the Acquisition Agreement shall agree
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Consideration Shares"	a total of 163,717,121 Shares (subject to the adjustment as described in the paragraph headed "Adjustment mechanism" in the Announcement) to be allotted and issued by the Company to the Vendor (or such other person(s) as may be directed by the Vendor) pursuant to the Acquisition Agreement as the Consideration at the Issue Price
"Director(s)"	the director(s) of the Company

"Doof Japan"	株式會社多弗* (Tafutsu Kabushiki Kaisha*), a company incorporated in Japan with limited liability, which is wholly-owned by Mr. Hu
"Equipment Valuation"	the valuation of the plant and equipment of the Target Group, which is JPY38,248,800 (equivalent to approximately HK$2,730,964) as at 22 June 2020, pursuant to the valuation report issued by Vigers Appraisal & Consulting Limited
"Enlarged Group"	the Group immediately upon completion of the Acquisition
"Final Consideration"	the amount of JPY848,394,046 (equivalent to approximately HK$60,575,335), being the consideration payable by the Company to the Vendor for the Acquisition (after the adjustment as described in the paragraph headed "Adjustment mechanism" in the Announcement) pursuant to the Acquisition Agreement
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Ichiki Kogyo"	一木興業合同會社* (Ichiki Kogyo Godo Kaisha*), a company incorporated in Japan with limited liability
"Independent Board Committee"	an independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising Independent Shareholders on the Acquisition Agreement and the transactions contemplated therein (including the allotment and issue of the Consideration Shares)
"Independent Financial Adviser" or "Gram Capital"	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders advising on the Acquisition Agreement

"Independent Shareholders"	the Shareholders, other than those required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the SGM, to approve the Acquisition and the transactions contemplated therein (including the allotment and issue of the Consideration Shares)
"Initial Consideration"	the amount of JPY848,394,046 (equivalent to approximately HK$60,575,335), being the consideration payable by the Company to the Vendor for the Acquisition (before the adjustment as described in the paragraph headed "Adjustment mechanism" in the Announcement) pursuant to the Acquisition Agreement
"Issue Price"	the issue price of the Consideration Shares at HK$0.370 per Share
"JPY"	Japanese Yen, the lawful currency of Japan
"Latest Practicable Date"	4 September 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	the 180th day immediately following the date on which the Acquisition Agreement was executed
"PRC"	the People's Republic of China, which for the purpose of this circular excludes, Hong Kong, the Macau Special Administrative Region and Taiwan
"Previous Acquisitions"	the acquisition of the entire equity interest in Zhejiang Doof Property Management Services Co., Ltd.* (浙江多弗物業管理服務有限公司), details of which were disclosed in the announcements of the Company dated 13 December 2019 and 9 March 2020, and the acquisition of the entire equity interest in Wenzhou Junshang Decoration Co., Ltd.* (溫州君尚裝飾有限公司), details of which were disclosed in the announcements of the Company dated 8 May 2020 and 21 May 2020
"Property Valuation"	the valuation of the Target Property, which is JPY1,034,000,000 (equivalent to approximately HK$73,827,600 as at 22 June 2020), pursuant to the valuation report issued by Vigers Appraisal & Consulting Limited

"Purchaser"	Decent Start Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	the 1,000 shares of Doof Japan legally and beneficially owned by the Vendor, representing the entire issued share capital of Doof Japan to be acquired by the Purchaser from the Vendor pursuant to the Acquisition Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SGM"	the special general meeting of the Company to be convened and held for, the purpose of considering and, if thought fit, approving, among other things, the Acquisition Agreement
"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s) of the Company
"Shareholder's Loan"	an amount of approximately JPY1,975,537,251 (equivalent to approximately HK$141,053,360) which is outstanding, repayable upon demand and owing by the Target Group to the Vendor as at the date of the Acquisition Agreement and at Completion in respect of an interest-free loan made available by the Vendor to the Target Group
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Group"	Doof Japan, Yoichi Country, Tokyo Doof and Ichiki Kogyo
"Target Property"	the hotel property and gold course located at 2361-1, Yoichi Cho, Yoichi Gun, Hokkaido, Japan
"Tokyo Doof"	東京多弗合同會社* (Tokyo Tafutsu Godo Kaisha*), a company incorporated in Japan with limited liability
"Vendor" or "Mr. Hu"	Mr. Hu Xingrong, an executive Director and the ultimate controlling Shareholder of the Company
"Yoichi Country"	余市鄉村株式會社* (Yoichi Country Kabushiki Kaisha*), a company incorporated in Japan with limited liability, which is a wholly-owned subsidiary of Doof Japan
"%"	per cent.

For the purpose of this circular, unless the context otherwise requires, conversion of JPY into HK$ is based on the approximate exchange rate of JPY 1 to HK$0.0714. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK$ or JPY have been, could have been or may be converted at such or any other rate or at all.

The names of entities marked with "" for which no official translation exists are unofficial translations for identification purpose only and should not be regarded as their official translation.*

Man Sang International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

Executive Directors:
Mr. HU Xingrong
Mr. HUANG Xiaohai
Mr. JIN Jianggui
Mr. LI Zhenyu
Mr. XU Haohao

Independent non-executive Directors:
Ms. PAU Yee Ling
Mr. WONG Kwan Kit
Mr. YUEN Hoi Po

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business:
Unit WF, 25th Floor
Eight Commercial Tower
8 Sun Yip Street
Chai Wan, Hong Kong

10 September 2020

To the Shareholders

Dear Sir or Madam

MAJOR AND CONNECTED TRANSACTION RELATING TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF DOOF JAPAN AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 14 July 2020 in relation to, among other things, the Acquisition.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Acquisition; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) the notice of the SGM; and (v) other information as required under the Listing Rules.

References are also made to (i) the announcement of the Company dated 12 April 2016 and the circular of the Company dated 16 June 2016 in relation to an acquisition agreement entered into amongst the Company, Xinli Holdings Limited (as vendor) and Ms. Wang Ming (as guarantor), pursuant to which the Company has conditionally agreed to acquire and Xinli Holdings Limited has conditionally agreed to sell the entire share capital of Gloryear Investments Limited, together with the amounts due and owing to Xinli Holdings Limited, at an aggregate consideration of HK$1,468,000,000; and (ii) the announcement of the Company dated 1 November 2017 and the circular of the Company dated 5 December 2017 in relation to a sale and purchase agreement entered into between Man Sang Enterprise Ltd., a direct wholly-owned subsidiary of the Company and Zhuji Tonghe Jewellery Co. Ltd.*（諸暨市通和珠寶有限公司）("**Zhuji Tonghe**"), pursuant to which Zhuji Tonghe has conditionally agreed to purchase and Man Sang Enterprise Ltd. has conditionally agreed to sell, the entire equity interest in Smartest Man Holdings Limited, together with the amount due to the Group, at an aggregate consideration of RMB362,480,000 (equivalent to approximately HK$427,726,000).

A chronology of events in relation to the aforementioned transactions up to when Mr. Hu became a controlling Shareholder of the Company is provided below for information purpose:

Date	**Events**
8 April 2016	The Company, Xinli Holdings Limited and Ms. Wang Ming entered into the acquisition agreement in relation to the acquisition of the entire equity interest in Gloryear Investments Limited, which consideration was to be satisfied by a combination of cash and the issue of promissory notes
28 July 2016	The acquisition of the entire equity interest in Gloryear Investments Limited was completed and the Promissory Notes in the principal amount of HK$1,168 million with interest rate of 8% per annum (the "**Promissory Notes**") was issued to Xinli Holdings Limited
14 September 2016	The Company had early redeemed an aggregate principal amount of HK$120 million of the Promissory Notes
27 September 2016	The Company had early redeemed an aggregate principal amount of HK$120 million of the Promissory Notes
24 October 2016	The Company had early redeemed an aggregate principal amount of HK$150 million of the Promissory Notes
1 November 2017	Man Sang Enterprise Ltd. and Zhuji Tonghe entered into the sale and purchase agreement in relation to the disposal of the entire equity interest in Smartest Man Holdings Limited

15 December 2017	Xinli Holdings Limited transferred the Promissory Notes in the principal amount of HK$778 million to Total Idea International Limited, a company wholly-owned by Mr. Hu. At the relevant time, each of Total Idea International Limited and Mr. Hu were parties independent of the Company and its connected persons
3 January 2018	The disposal of the entire equity interest in Smartest Man Holdings Limited was completed
3 April 2018	China DaDi Group Limited, which is wholly-owned and ultimately owned by Mr. Hu, acquired an aggregate of 414,802,041 Shares, representing approximately 21.76% of the entire issued share capital of the Company at the relevant time from Jin Sheng BoJi (Hong Kong) Limited and Twin Success International Limited
6 September 2018	China DaDi Group Limited, as purchaser, and Mr. Cheng Chung Hing and Rich Men Limited, as vendors, entered into a sale and purchase agreement in relation to the sale and purchase of 380,555,108 Shares (the "Sale Shares"), representing approximately 19.96% of the entire issued share capital of the Company at the relevant time. China DaDi Group Limited was required to make a mandatory conditional cash offer for all the issued Shares (other than those already owned or to be acquired by China DaDi Group Limited and parties acting in concert with it)
7 September 2018	The acquisition of the Sale Shares was completed and China DaDi Group Limited held an aggregate of 795,357,149 Shares, representing approximately 41.73% of the entire issued share capital of the Company at the relevant time

Mr. Hu had many years of experience in corporate management, investment and business development of companies in different industries, especially in property development industry in the PRC. In 2017, Mr. Hu initially came to know about the Company through his contacts in the real estate industry and became aware of the transaction involving the acquisition of the entire equity interest in Gloryear Investments Limited. As advised by Mr. Hu, Mr. Hu subsequently became aware that Ms. Wang Ming, having considered her cash position, liquidity and other real estate interests, had the intention to transfer the Promissory Notes. As advised by Mr. Hu, the Promissory Notes were transferred from Xinli Holdings Limited to Total Idea International Limited on 15 December 2017 following arm's length negotiation between the parties having considered that the Promissory Notes would generate interest income at maturity date. Mr. Hu had made other similar investments involving advancing interest-bearing loans to other parties.

As Mr. Hu became more familiar with the Company, Mr. Hu was of the view that he would be able to leverage on his experience and his extensive commercial network to support the Group's business. As such, on 3 April 2018, China DaDi Group Limited acquired an aggregate of 414,802,041 Shares, representing approximately 21.76% of the entire issued share capital of the Company. On 2 May 2018, Mr. Hu was appointed as the chairman of the Board and an executive Director of the Company and was responsible for the business strategy and direction of the Company and for providing leadership for the Board and ensuring proper and effective function of the Board. Mr. Hu was able to obtain an in-depth understanding of the operations of the Company through his appointment as member of the Board. In order to allow China DaDi Group Limited, and in turn Mr. Hu, to consolidate its control in the Company and play a greater role in directing the future development of the Group, which was expected to improve the financial performance of the Group and create greater value for the Shareholders in long term perspective, China DaDi Group Limited further acquired 380,555,108 Shares, representing approximately 19.96% of the entire issued share capital of the Company on 7 September 2018, thereby becoming a controlling Shareholder of the Company.

At the time of the acquisition of Gloryear Investments Limited, Ms. Wang Ming was the sole ultimate beneficial owner and director of Xinli Holdings Limited. At the time of disposal of Smartest Man Holdings Limited, Mr. Chen Yao was the sole ultimate beneficial owner of Zhuji Tonghe. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at all times, each of Xinli Holdings Limited and Zhuji Tonghe, and their respective ultimate beneficial owners, do not have any relationship (business or otherwise, implicit or explicit, expressed or implied) nor have any arrangement, understanding or undertaking (formal or informal, expressed or implied) with, and is a third party independent of, Mr. Hu, the Company and their connected persons.

THE ACQUISITION AGREEMENT

Date

14 July 2020

Parties

(i) Decent Start Limited, as the Purchaser

(ii) Mr. Hu, as the Vendor

(iii) the Company

As at the Latest Practicable Date, the Vendor is Mr. Hu, an executive Director and the ultimate controlling Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

Assets to be acquired

The assets to be acquired under the Acquisition Agreement comprise (i) the Sale Shares, representing the entire issued share capital of Doof Japan as at the Latest Practicable Date; and (ii) the Shareholder's Loan. Upon Completion, Doof Japan will become an indirect wholly-owned subsidiary of the Company.

Yoichi Country is a wholly-owned and major operating subsidiary of Doof Japan. The principal asset of Yoichi Country is the Target Property, which consists of hotel property and 18-hole golf course, details of which are set out in the paragraph headed "Information on the Target Group — Yoichi Country" below. As advised by the Vendor, Yoichi Country was acquired by Doof Japan from Mr. Hiroki Tatsukawa on 10 May 2017 and the original acquisition cost of the equity interests of Yoichi Country was JPY1,200,000,000 (equivalent to approximately HK$85,680,000). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Hiroki Tatsukawa is a third party independent of the Company, its connected persons (including Mr. Hu) and their respective associates, Ms. Wang Ming and Mr. Chen Yao.

Consideration and Payment Terms

Pursuant to the Acquisition Agreement, the Initial Consideration of JPY848,394,046 (equivalent to approximately HK$60,575,335) for acquiring the equity interest in Doof Japan and the Shareholder's Loan shall be satisfied by the Company by the issue and allotment of the Consideration Shares (subject to the adjustment as described in the paragraph headed "Adjustment mechanism" in the Announcement) at the Issue Price of HK$0.370 to the Vendor (or such other person(s) may be directed by the Vendor in writing) within seven business days from the Completion Date.

Pursuant to the adjustment mechanism to the consideration as provided in the Acquisition Agreement and as described in the paragraph headed "Adjustment mechanism" in the Announcement, the Consideration remains unchanged, and the Final Consideration is JPY848,394,046 (equivalent to approximately HK$60,575,335). Accordingly, the Consideration Shares shall comprise 163,717,121 new Shares.

Based on the closing price of the Shares of HK$0.410 per Share as quoted on the Stock Exchange on 14 July 2020, being the date of the Acquisition Agreement, the market value of the Consideration Shares would be approximately HK$67,124,020.

Basis of the Consideration

As disclosed in the Announcement, the consideration for the Acquisition was arrived at after arm's length negotiations between the Purchaser and the Vendor and was determined after having taken into account various relevant factors including:

(i) the net liabilities of the Target Group as at 31 March 2020;

(ii) the Property Valuation;

(iii) the Equipment Valuation;

(iv) the Shareholder's Loan; and

(v) a 10.00% discount on the aggregate of the Shareholder's Loan and the adjusted net liabilities of the Target Group.

Audited Adjusted Net Liabilities and the consideration for the Acquisition

In determining the Initial Consideration, the unaudited net liabilities of the Target Group was adjusted to reflect its fair value by taking into account the valuation of the Target Property of approximately JPY1,034,000,000 and the valuation of the plant and equipment of the Target Group of approximately JPY38,248,800 as at 22 June 2020. The Final Consideration, which amounts to JPY848,394,046, is calculated based on the adjustment as described in the paragraph headed "Adjustment mechanism" in the Announcement. The following table demonstrates the calculations of the audited adjusted net liabilities of the Target Group (the "**Audited Adjusted Net Liabilities**") and the Final Consideration:

	JPY
Audited net liabilities of the Target Group as at 31 March 2020	(1,031,501,000)
Less: Carrying amounts of the property, plant and equipment as at 31 March 2020	(1,073,625,000
Add: Property Valuation as at 22 June 2020	1,034,000,000
Add: Equipment Valuation as at 22 June 2020	38,248,800
Audited Adjusted Net Liabilities	(1,032,877,200)
Add: The Shareholder's Loan	1,975,537,251
Aggregate of the Shareholder's Loan and the Audited Adjusted Net Liabilities	942,660,051
Less: 10.00% discount on the aggregate of the Shareholder's Loan and the Audited Adjusted Net Liabilities	(94,266,005)
Final Consideration	848,394,046

The Directors note that the Target Group has net liabilities, which was mainly attributable to the loan from shareholder (i.e. the Vendor) and the Target Group has no third party loans. The Shareholders' Loan was provided by the Vendor to the Target Group for the purpose of acquisition of Yoichi Country by Doof Japan in May 2017 and to support the operation of the Target Group. The nature of the Shareholders' Loan, in substance, is similar to injection of capital to the Target Group. Therefore, when determining the consideration, the net liabilities of the Target Group was adjusted to add back the amount of the Shareholders' Loan, together with the valuation of the property, plant and equipment of the Target Group, so as to reflect the fair value of the key assets of the Target Group. After the Completion, the Group may consider to capitalise the Shareholders' Loan to transform the loan amount into share capital of Doof Japan. It is also noted that the consideration of the Acquisition will be settled by way of issue of new Shares at the Issue Price which was at a discount of approximately 9.76% to the closing price of the Shares of HK$0.410 per Share as quoted on the Stock Exchange on 14 July 2020. Having considered this, 10% discount is also applied to the aggregate of the Shareholder's Loan and the adjusted net liabilities of the Target Group.

The Directors noted that the COVID-19 situation and travel restrictions in Japan has significantly and adversely affected the business of the Target Group. However, the Directors believe that there is growth potential in the hospitality sector in Japan in the long run. Furthermore, as mentioned above, when determining the consideration of the Acquisition, the Group has taken into account of the fair value of the key assets of the Target Group as at 22 June 2020, which was a date after the outbreak of COVID-19 in early 2020. The Directors believe that consideration of the Acquisition has included an updated valuation of the Target Group.

Having considered the above, particularly the fair value of the key assets of the Target Group when determining the Final Consideration, the amount of capital injected by the Vendor in the form of Shareholder's Loan, together with a 10% discount to the aggregate of the Shareholder's Loan and the adjusted net liabilities of the Target Group, which approximates to the discount of the Issue Price when compared to the closing price of the Shares on the date of the Acquisition Agreement, the Directors are of the view that the consideration of the Acquisition (including the 10% discount) is fair and reasonable.

The Consideration Shares

On the basis of the closing prices of the Company of HK$0.410 and HK$0.430 per Share as quoted on the Stock Exchange on 14 July 2020 (being the date of the Acquisition Agreement) and on 4 September 2020 (being the Latest Practicable Date), the market value of the Consideration Shares is approximately HK$67,124,020 and HK$70,398,362, respectively. The Consideration Shares represent approximately 8.00% of the existing issued share capital of the Company as at the Latest Practicable Date, or approximately 7.40% of the enlarged issued share capital of the Company immediately upon Completion (assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date up to the Completion Date).

The Issue Price of HK$0.370 per Share was arrived at after arm's length negotiations between the Purchaser and the Vendor having considered, among others, the recent trading prices of the Shares, the issue of placing shares at a discount of approximately 14.63% to the closing price of HK$0.410 per Share on the date of the placing agreement in respect of the Company's recent placing of Shares announced on 24 June 2020, the financial performance of the Group and the current market conditions. In particular, having considered that the Acquisition from the Vendor constitutes a connected transaction of the Company, and that the discount on the Issue Price (to the closing price of the Shares on the date of the Acquisition Agreement) is smaller than the discount on the placing price of the placing shares (to the closing price of the Shares on the date of the placing agreement on 24 June 2020), the Board considers that the Issue Price is fair and reasonable. The Issue Price represents:

(i) a discount of approximately 9.76% to the closing price of the Shares of HK$0.410 per Share as quoted on the Stock Exchange on 14 July 2020, being the date of the Acquisition Agreement;

(ii) a discount of approximately 9.09% to the average closing price of the Shares of HK$0.407 per Share for the last 5 trading days up to and including 14 July 2020, being the date of the Acquisition Agreement;

(iii) a discount of approximately 10.63% to the average closing price of the Shares of HK$0.414 per Share for the last 10 trading days up to and including 14 July 2020, being the date of the Acquisition Agreement;

(iv) a discount of approximately 13.42% to the average closing price of the Shares of approximately HK$0.427 per Share for the last 30 trading days up to and including 14 July 2020, being the date of the Acquisition Agreement;

(v) a discount of approximately 11.60% to the average closing price of the Shares of approximately HK$0.419 per Share for the last 90 trading days up to and including 14 July 2020, being the date of the Acquisition Agreement;

(vi) a discount of approximately 11.18% to the average closing price of the Shares of approximately HK$0.417 per Share for the last 180 trading days up to and including 14 July 2020, being the date of the Acquisition Agreement; and

(vii) a premium of approximately 49.92% over the audited consolidated net asset value of the Group per Share of approximately HK$0.2468 as at 31 March 2020.

The Consideration Shares, upon issue, shall rank *pari passu* in all aspects with the existing Shares save that the Consideration Shares will not rank for any dividend or other distribution of the Company declared by reference to a record date prior to the issue date of the Consideration Shares.

The allotment and issue of the Consideration Shares will not result in a change of control of the Company.

Conditions Precedent

Completion of the Acquisition Agreement is conditional upon, among others:

(i) the passing by Independent Shareholders at the SGM by poll of an ordinary resolution to approve: (1) the Acquisition contemplated under the Acquisition Agreement as required by the Listing Rules; and (2) the allotment and issue of the Consideration Shares to the Vendor (or such other person(s) as may be directed by the Vendor in writing) under the Acquisition Agreement;

(ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;

(iii) the obtaining of all necessary authorisations and internal approvals by the Vendor and Doof Japan for conducting the transactions contemplated under the Acquisition Agreement;

(iv) the provision of written documents by the Vendor and Doof Japan to the Purchaser certifying that all necessary third party consents and permissions for conducting the transactions contemplated under the Acquisition Agreement have been obtained;

(v) the representations and warranties given by the Vendor and Doof Japan in the Acquisition Agreement remaining true and accurate and not misleading as if they are repeated at any time prior to Completion by reference to the facts and circumstances then existing;

(vi) the Purchaser and Doof Japan having fulfilled their respective obligations under the Acquisition Agreement that should be fulfilled on or before the Completion Date;

(vii) there has been no material adverse effect on the operations, assets and financial situation of Doof Japan from the date of the Acquisition Agreement up to the Completion Date; and

(viii) the obtaining of all necessary authorisations and internal approvals by the Purchaser for conducting the transactions contemplated under the Acquisition Agreement.

The Purchaser shall be entitled to waive the compliance with the conditions (v) to (vii) above and the Vendor shall be entitled to waive the compliance with the condition (viii) above as the parties agreed to retain flexibility to complete the Acquisition notwithstanding that such conditions may be unfulfilled. Conditions (i) to (iv) above may not be waived. If the above conditions are not fulfilled or waived on or before the Longstop Date, the Acquisition Agreement shall terminate and neither party shall have any liability thereunder save for any antecedent breach of the terms of the Acquisition Agreement.

As at the Latest Practicable Date, conditions (iv) and (viii) have been satisfied. The Company expects that all the conditions (including the remaining conditions) will be fulfilled on or before the Completion Date.

Vendor's Undertakings

The Vendor has undertaken to, among other matters:

(i) do all such act to procure the approval of the transfer of the Sale Shares by Doof Japan;

(ii) complete the necessary formalities in relation to the transfer of the Sale Shares in accordance with the application laws and regulations;

(iii) report to the Purchaser immediately upon aware of any potential litigation, non-compliance or any other matter or circumstances that may have a material adverse impact on the business, assets, liabilities, financial situation, operating results, cashflow or future revenue of Doof Japan;

(iv) procure the good faith management of Doof Japan, to operate the business and manage and operate the assets of Doof Japan in substantially same way and not to conduct any important business not in the ordinary and usual course of business, including but not limited to transfer, disposal, leasing, acquisition of material asset or business, new borrowings or other indebtedness, provision of guarantees and undertakings and material expenditures); and

(v) obtain, and procure Doof Japan to obtain, all necessary third party consents and permissions for conducting the transactions contemplated under the Acquisition Agreement.

Completion

Upon compliance with or fulfilment or waiver of all the conditions precedent, Completion shall take place on the Completion Date. Following Completion, Doof Japan will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that there will not be any change in the issued share capital of the Company from the Latest Practicable Date up to the Completion Date, set out below is the table of the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion:

	As at the Latest Practicable Date		Immediately after the Completion	
	Number of Shares	**Approximate percentage of total issued Shares**	**Number of Shares**	**Approximate percentage of total issued Shares**
Name of Shareholders				
China DaDi Group Limited *(Note)*	1,197,921,245	58.51%	1,361,638,366	61.58%
Other public shareholders	849,354,611	41.49%	849,354,611	38.42%
Total	2,047,275,856	100.00%	2,210,992,977	100.00%

Note: The entire issued share capital of China DaDi Group Limited is wholly-owned by Mr. Hu.

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in property development and investment which covers development, sales and leasing of properties (including serviced apartments, residential apartments and shopping mall).

To continue the momentum of the Group's expansion of its property development and related investment business, the Board considers that the Acquisition offers a good opportunity for the Group to expand into Japan market and enhance its assets portfolio with a potential of capital appreciation in the long run. The principal assets of the Target Group are a hotel with 24 rooms and 10 log houses, and a golf club with an 18-hole golf course located in Yoichi, Japan. The principal business of the Target Group is to manage and operate the hotel and the golf club with 18-hole golf course.

The Directors are optimistic about the prospects of the tourism industry in Japan in the long run. The number of foreign tourists in Japan has grown considerably in recent years from approximately 8.36 million in 2012 to approximately 31.9 million in 2019, representing a compound annual growth rate of approximately 21.08%. Certain major events are set to take place in Japan, including the Tokyo Olympics and Paralympics, as well as the Osaka-Kansai World Expo. The Japanese government aims to attract 60 million foreign tourists by 2030.

The outbreak of COVID-19 in early 2020 has dampened the momentum of inbound tourism in Japan. Following seven consecutive years of growth from 2013 to 2019, 2020 was once anticipated to be a stellar year for Japan tourism on the back of booming inbound demand and the Tokyo Olympics, which, however, have been postponed to 2021 due to the COVID-19 outbreak.

As part of the measures to contain the worldwide outbreak of COVID-19 in early 2020, Japan's borders are currently closed to travelers from more than 150 regions. On 7 April 2020, the Japanese government declared a state of emergency in Tokyo and six other prefectures, pursuant to which local authorities are empowered to carry out measures to halt the spread of COVID-19, including urging residents to stay at home except for essential activities and recommending the closures of businesses and facilities capable of hosting large-scale gatherings.

With the dwindling numbers of new cases of COVID-19, in late May 2020, the Japan government lifted the state of emergency for all of Japan. Domestic flights have gradually resumed and domestic travel restrictions were mostly lifted in mid-June. In order to provide support to the tourism industry and local economy, in July, the Japan government has launched a JPY1.7 trillion "Go to Travel" campaign to encourage domestic tourism and help hospitality operators. As part of the campaign, domestic travelers will be given 50% discounts and coupons of up to JPY20,000 per person per night for accommodation, shopping and eating at travel destinations within Japan, although Tokyo has been excluded due to the city's recent surge in COVID-19 cases.

In order to gradually revive the virus-hit economy and promote international business, Japan is also currently working on a travel bubble. In early July, Japan started entry negotiations with Asian countries and regions, including China, Malaysia, Singapore and Taiwan. On 13 August 2020, Japan and Singapore agreed to ease travel restrictions implemented in response to COVID-19 pandemic from September, targeting businesspeople and expatriates, on condition they take measures to prevent infections.

The outbreak of COVID-19 has brought challenges to the hotel business. The revenue of the Target Group has been significantly and adversely affected from April to July 2020, when compared to the corresponding period in 2019. Although the outbreak of COVID-19 has significantly and adversely affected the revenue of the Target Group during the aforementioned period, the Directors and Vigers Appraisal & Consulting Limited are of the view that given (i) the valuations of the Target Property and plant and equipment of the Target Group are based on a combination of the market and depreciated replacement cost approach and cost approach, respectively; and (ii) the Directors also noted that the land price in Yoichi District, Hokkaido has been relatively stable, and believe that the impact of COVID-19 is only a short term effect, its impact on the valuations of the Target Property and plant and equipment of the Target Group is insignificant. The Directors intend to improve and enhance the facilities of the hotel if the COVID-19 situation allows, so as to increase the attractiveness of the hotel to prepare for rebuild of business volume.

Subject to the Completion, the Directors will review the business and operation of the Target Group. The business model of the Target Group is to manage and operate the resort hotel and the golf club with 18-hole golf course. As the operation of the golf course is subject to seasonality and customers mainly visit golf course from spring to autumn in Hokkaido, Japan, the hotel and the golf club open for about eight months a year. For the three years ended 31 March 2020, unless reservations were received from customers during the remaining four months of the year, the operation of hotel would be temporarily suspended, and the operation of golf club would be temporarily suspended due to the snowy weather conditions. Currently, the hotel and golf club is managed by the local team led by Mr. Wada Shinichi, the general manager of the Target Group. The Group intends to retain the management of the Target Group to manage and operate the hotel and golf club, and supervised by the senior management of the Group.

It is noted that the Target Group recorded gross loss, net loss and net liabilities for each of the three years ended 31 March 2020. The gross loss and net loss were mainly due to the low occupancy rate of the hotel and revenue. The occupancy rate of the hotel for each of the three years ended 31 March 2020 was approximately 13.2%, 17.3% and 18.2%, respectively. The average occupancy rate of the hotel during the winter season in recent years was approximately 10%. The utilisation rate of the golf course for each of the three years ended 31 March 2020 was approximately 50.4%, 52.6% and 52.2%, respectively. Notwithstanding that the Target Group recorded losses and net liabilities for the three years ended 31 March 2020, the assets of the Target Group include a well-equipped resort hotel and golf course, together with vacant land that can be re-developed. Furthermore, the Directors believe that there is significant room to enhance the operation, and turnaround the business. Furthermore, the Target Property has large areas of woodland, wilderness and other land that could be used for development. The Company conducted feasibility studies and based on field investigation and research, approximately 27,000m^2 of the vacant land can be further developed without changing the landscape of the golf course. According to the applicable regulations, if less than 10,000 m^2 of the vacant land and woodlands is to be further developed, then the Target Group is not required to file application to the local government. However, if over 10,000 m^2 of the vacant land and woodlands is to be further developed, then Target Group is required to file an application to the local government. It is estimated that the processing time will be about six months. Furthermore, the Target Group is required to notify the relevant government department 30 days before the execution of the development of or any changes to the landscape. Besides, based on the field investigation and research, the Target Group may be required to notify and report to the relevant government department before and after the development of the land which involves deforestation. Furthermore, should the deforested area be over one hectare, the Target Group is required to obtain the approval from the local government. In view of the aforementioned regulatory requirements in relation to the development of the vacant land owned by the Target Group and subject to business and operational needs, the Directors may consider, as appropriate, various development options including utilizing land area of not exceeding 7,000 m^2 to construct up to 30 additional log houses and stone houses for sale or for expansion of capacity of the hotel. The Directors will review the business potential to further develop the vacant land near the golf course to bring more investment return. In order to turnaround the business, the Group will formulate a business plan to increase the revenue of the Target Group, the occupancy rate and room rate of the hotel, as well as the utilisation rate of the golf course. Set out below is the proposed business plan of the Target Group:

- As customers mainly visit golf course from spring to autumn, the hotel and the golf club open for about eight months a year. The Directors believe that there is room for improvement and enhancement in business and operation, such as leveraging on the experience of the Group's management team in management and operation of the golf course to enhance competitiveness, efficiency and utilisation, exploring the possibility to operate as an all-year-round resort, enhancement of the facilities of the hotel including hot spring, skiing and accommodation facilities, and expanding the scope of services to ski enthusiasts in winter. The Group intends to gradually refurbish the hotel and enhance the facilities in around 2021, with an estimated cost of around JPY40 million. The Group will also enhance the hot spring resources in around year 2022, with an estimated cost of around JPY80 million. The Directors believe that the refurbishment of hotel and enhancement of the facilities will increase the attractiveness of the hotel, which may enable the Target Group to improve its occupancy rate and room rate. Having considered that (i) the plan to develop the hotel into ski resort and hot spring can increase the attractiveness of the hotel, and thus allow the hotel to reach the average occupancy rate of resort hotels in Japan, which was around 58% in 2019; (ii) there are ski facilities in close proximity to the hotel and the hotel is within travelling time of an hour and a half from the nearest airport, 15 minutes from the nearest train station, one hour from Niseko ski resort, which is one of the most famous ski resort in the world, and half an hour from Kiroro Ski resort; (iii) the business plan provides an opportunity to increase the room rate of the hotel to a level similar to resort hotels in the surrounding area, which generally could reach the range of JPY20,000 to JPY30,000 before the outbreak of COVID-19; and (iv) the improvement in the staff efficiency and the implementation of the cost control measures through leveraging on the experience of the Group's management in operation of serviced apartments and golf course, the Directors are of the view that the results of the Target Group can be turnaround.

- Leveraging on the experience and the network of the Group's management team, the Group's management team can liaise with the travel agents to provide tour groups from overseas to visit the hotel. Furthermore, with the management's experience from managing and operating the golf course, the management can launch golf competitions so as to attract golf enthusiasts from all over the world to visit the golf course. The management can also make use of their network to promote the attractiveness of the golf club with 18-hole golf course as well as the enhanced hotel facilities including hot spring, skiing, and accommodation facilities to the high-net-worth individuals. The Target Group can provide promotion to golf enthusiasts should they visit the golf club as well as staying at hotel. The Directors believe that with the network of the Group's management team as well as the expansion of the customers base including the overseas tour groups and overseas golf enthusiasts, the occupancy rate of the hotel and the utilisation rate of the golf course will then be improved.

- The Directors will also further review the marketing strategy of the hotel and golf club. In order to attract golf enthusiasts to visit the golf course, the Target Group will put more effort in marketing and promotions, such as launching golf competitions. Besides attracting golf enthusiasts to visit the golf course, the Target Group will also promote staycations to local golf enthusiasts so as to attract them to stay at the hotel as well. The Directors believe that this will improve the occupancy rate of the hotel as well as the utilisation rate of the golf course. Furthermore, currently, a majority of the customers of the Target Group are local tourists. The Directors note that the number of foreign tourists in Japan has grown considerably in recent years before the outbreak of COVID-19, and believe there is growth potential in the long run amid the Tokyo Olympics and Paralympics, as well as the Osaka-Kansai World Expo. When the COVID-19 pandemic passes, the Target Group will target to enlarge the customer base through leveraging on the potential growth of tourists in Japan as mentioned above. It will put more efforts in promotion and marketing to tours, tourists and golf enthusiasts from overseas, in particular, China, Korea and South East Asia.

Having considered the above, the Directors believe that the Target Group will achieve similar level and turnaround the business after the execution of the business plan and bring in positive return.

The Directors noted the disclaimer of opinion on the financial information of the Target Company by the reporting accountants set out in Appendix II to this circular. The Directors understand that such disclaimer of opinion was mainly due to the net current liabilities of the Target Group as at 31 March 2020 and loss incurred for the year ended 31 March 2020, which, in the opinion of the reporting accountants, indicate the significant extent of uncertainty relating to the ongoing availability of finance to the Target Group. However, as mentioned in Appendix II to this circular, the directors of the Target Company have reviewed the Target Group's cash flow projections covering a period of twelve months from 31 March 2020. Taking into account the continuous financial support from the sole shareholder of the Target Company (i.e. Mr. Hu), in the opinion of the directors of the Target Company, the Target Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 31 March 2020. In addition, the outstanding salaries payable to the Vendor, which is not included in the Shareholder's Loan, is non-interest bearing and shall be settled by cash by the Company when the COVID-19 situation and business of the Target Group improves. The outstanding salaries payable to the Vendor were approximately nil, JPY1.5 million, and JPY 13.1 million as at 31 March 2018, 31 March 2019 and 31 March 2020, respectively. Having considered (i) the outstanding salaries payable to the Vendor is non-interest bearing; and (ii) it is in the interests of the Company to preserve the relevant cash amounts in view of the COVID-19 situation and until the business of the Target Group improves, the Directors are of the view that the arrangement of settling outstanding salaries payable to the Vendor after Completion is beneficial to the Company and Shareholders as a whole, and therefore the Directors consider such arrangement is fair and reasonable to the Shareholders as a whole. Further, having reviewed the level of salary of the Vendor and having considered the contributions of the Vendor to the Target Group and the roles and responsibilities undertaken by the Vendor as director of the Target Group, as well as the then existing market conditions, the Directors are of the view that such level of salary of the Vendor is fair and reasonable.

The Company will provide continued financial support of approximately JPY 40 million, which is the Target Group's expected funding needs for the next 12 months from 31 March 2020 based on the following assumptions:

- the effect of the outbreak of COVID-19 on the operation of the Target Group will continue for the twelve months ending 31 March 2021;
- revenue is expected to decrease by approximately 30% for the year ending 31 March 2021 having considered the recent financial performance of the Target Group;
- the policies encouraging domestic travelling will be in effect and/or remain unchanged;
- the cost of sales and administrative and other expenses for the year ending 31 March 2021 will be in line with the cost of sales and administrative and other expenses for the year ended 31 March 2020;
- the credit period and the payable period will remain unchanged;
- there will be capital expenditure of approximately JPY40.0 million for refurbishment of the hotel and enhancement of the facilities in around 2021.

Having considered that (i) the Target Group shall be able to take the opportunity to carry out the refurbishment of the hotel and the enhancement of the facilities during the lull period as a result of the ongoing COVID-19 pandemic, and position itself to benefit from the rebound of the tourism industry when the COVID-19 situation improves; (ii) it is not uncommon in the industry to refurbish the hotel and enhance the facilities during the lull period or low season so as to minimize the disruption to business and operations; (iii) the revenue of the Target Group has shown sign of improvement in August 2020 as compared to that in July 2020; and (iv) the Target Group shall be able to monitor the COVID-19 situation and carry out the refurbishment of the hotel and the enhancement of the facilities in phases, the Directors are of the view that it is a good time, and fair and reasonable for the Company to conduct the Acquisition.

The Directors note that the net current liabilities and net liabilities the Target Group, which amounted to approximately JPY1,859.1 million, and approximately JPY1,031.5 million respectively, were mainly due to the Shareholder's Loan, which amounted to JPY1,914.2 million. The Target Group had no third-party borrowings as at 31 March 2020. The Shareholder's Loan will be acquired by the Group under the Acquisition Agreement. Excluding the Shareholder's Loan, the Target Group would record net current assets and net assets as at 31 March 2020.

Having considered the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition Agreement and the transactions contemplated there under are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Upon the Completion, the Group will be interested in the entire issued shares of Doof Japan, and each member of the Target Group will become a subsidiary of the Company, whose results, assets and liabilities will be consolidated into the accounts of the Group. As such, the performance of the Target Group will affect the statement of profit or loss of the Group.

The Target Group recorded net loss of approximately JPY678.5 million, JPY185.5 million and JPY177.5 million for each of the three years ended 31 March 2020 respectively. The net loss for FY2018, representing 3.7 times of that for the year ended 31 March 2019, was principally resulted from the impairment of goodwill of approximately JPY245.9 million in FY2018, and the transaction cost of approximately JPY281.5 million incurred when Doof Japan acquired Yoichi Country in 2017. The net loss for the year ended 31 March 2020 decreased slightly by approximately 4.3% was mainly as a result of the increase in revenue from hotel rooms and golf club operation, as well as the decrease in cost of sales, including staff costs, depreciation and amortisation.

For details of the financial performance of the Target Group, please refer to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV and paragraph headed "Business and financial review" in "Appendix III — Management discussion and analysis of the Target Group" to this circular.

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, if the Acquisition had been completed on 31 March 2020, the total assets and the total liabilities of the Enlarged Group would have increased to approximately HK$4,684.8 million and approximately HK$4,153.5 million, respectively. The net asset value of the Enlarged Group would have increased to approximately HK$531.3 million.

Earnings

Upon completion of the Acquisition, the members of the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group. Further details of the Target Group are set out in "Appendix II — Financial Information of the Target Group" to this circular.

INFORMATION ON THE PARTIES TO THE ACQUISITION AGREEMENT

Information on the Group

The Company is incorporated in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in property development and investment which covers development, sales and leasing of properties. The Purchaser is a wholly-owned subsidiary of the Company established in the BVI with limited liability and is principally engaged in investment holding.

Information on the Vendor

Mr. Hu is an executive Director and ultimate controlling Shareholder of the Company.

INFORMATION ON THE TARGET GROUP

As at the Latest Practicable Date, the Target Group comprises Doof Japan, Yoichi Country, Tokyo Doof and Ichiki Kogyo. As advised by the Vendor, the total original acquisition cost of the equity interests of Yoichi Country, the major operating subsidiary of Doof Japan, by Doof Japan was JPY1,200,000,000 (equivalent to approximately HK$85,680,000).

Doof Japan

Doof Japan is a company incorporated by Mr. Hu, as a founding member, in Japan with limited liability and is an investment holding company which is wholly-owned by Mr. Hu. Mr. Hu contributed, by way of self-owned funds, a total capital amount of JPY10.0 million for the establishment of Doof Japan and no acquisition cost was involved. Doof Japan has a wholly-owned subsidiary, namely Yoichi Country.

Yoichi Country

Yoichi Country is a company incorporated in Japan with limited liability and is principally engaged in hotel management business and operation of golf course. Yoichi Country holds the entire interest in the Target Property.

Set out below are certain key information of the Target Property:

Name:	A-Brand Hotel & Golf Club
Location:	2361-1, Yoichi Cho, Yoichi Gun, Hokkaido, Japan
Mortgage on the Target Property:	Nil
Total gross floor area of the golf clubhouse and hotel building:	6,440.51 m^2
Number of hotel rooms:	24 rooms and 10 log houses
Total gross area of golf course:	923,702.60 m^2
Specification of the golf course:	18 holes

Tokyo Doof

Tokyo Doof is a company incorporated on 27 August 2019 in Japan with limited liability and is owned as to approximately 99.9% by Doof Japan and as to approximately 0.1% by Mr. Wada Shinichi, who has been employed and holds the position of the general manager of Yoichi Country since April 2018. Since its establishment, Tokyo Doof has not been engaged in any business operations and does not hold any assets. As a result of the ongoing COVID-19 pandemic, in order to reduce operating costs and expenses, Tokyo Doof has become a dormant company since 9 April 2020.

Ichiki Kogyo

Ichiki Kogyo is a company incorporated on 27 August 2019 in Japan with limited liability and is owned as to approximately 99.9% by Yoichi Country and as to approximately 0.1% by Mr. Wada Shinichi, who has been employed and holds the position of the general manager of Yoichi Country since April 2018. Since its establishment, Ichiki Kogyo has not been engaged in any business operations and does not hold any assets. As a result of the ongoing COVID-19 pandemic, in order to reduce operating costs and expenses, Ichiki Kogyo has become a dormant company since 9 April 2020.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the key financial information of the Target Group based on its audited consolidated financial statements for the three financial years ended 31 March 2018, 2019 and 2020 as set out in Appendix II to this circular:

	For the year ended 31 March		
	2018	**2019**	**2020**
	JPY '000	*JPY '000*	*JPY '000*
Revenue	128,695	153,742	156,917
(Loss) before tax	(683,259)	(196,523)	(190,592)
(Loss) and total comprehensive loss for the year	(678,465)	(185,511)	(177,525)
Net (liabilities)	(668,465)	(853,976)	(1,031,501)

Shareholders should read the above information in conjunction with the accountants' report as set out in Appendix II to this circular containing further financial information of the Target Group.

LISTING RULES IMPLICATIONS

As the Acquisition Agreement was entered into within 12 months after completion of the Previous Acquisitions, and the agreements in respect of the Previous Acquisitions and the Acquisition Agreement were entered between a member of the Group and the same connected person and/or his associates, the Acquisition and the Previous Acquisitions are required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the Acquisition and the Previous Acquisitions in aggregate exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Vendor, Mr. Hu, is an executive Director and ultimate controlling Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The Acquisition from the Vendor also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition is subject to the applicable reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM AND INDEPENDENT BOARD COMMITTEE

The SGM will be convened by the Company at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road Wanchai, Hong Kong on Friday, 25 September 2020 at 4:15 p.m.(or immediately after the conclusion or the adjournment of the annual general meeting of the Company to be held at the same venue and on the same day at 4:00 p.m.) for the purposes of considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated therein (including the allotment and issue of the Consideration Shares). As at the Latest Practicable Date, Mr. Hu is interested in 1,197,921,245 Shares, representing 58.51% of the issued share capital of the Company, and will abstain from voting on the proposed resolutions to approve the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, and therefore no other Shareholder is required to abstain from voting at the SGM in respect of the resolutions approving the aforesaid matters.

Pursuant to Rule 13.39(6) of the Listing Rules, the Company has established the Independent Board Committee comprising all its independent non-executive Directors, namely Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po to advise the Independent Shareholders on the fairness and reasonableness of the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares. None of the members of the Independent Board Committee has any interest or involvement in the transactions contemplated under the Acquisition Agreement.

Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

The notice of SGM is set out on pages SGM-1 to SGM-3 of this circular. A proxy form for use at the SGM is enclosed herewith. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the SGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the SGM in person.

RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on page 29 of this circular. Your attention is also drawn to the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, set out on pages 31 to 50 of this circular.

The Independent Board Committee, having taken into account the advice of Gram Capital, considers that the terms of the Acquisition Agreement, including the allotment and issue of the Consideration Shares, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed for approving the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, at the SGM.

The Board (including the members of the Independent Board Committee) considers that the terms of the Acquisition Agreement, including the allotment and issue of the Consideration Shares, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed as set out in the notice of the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
Man Sang International Limited
Hu Xingrong
Chairman

Man Sang International Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 938)

MAJOR AND CONNECTED TRANSACTION RELATING TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF DOOF JAPAN

10 September 2020

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular issued by the Company to the Shareholders dated 10 September 2020 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise you as to whether the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

Gram Capital has also been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect thereof. We wish to draw your attention to the "Letter from the Board" and the "Letter from Gram Capital" set out in the Circular.

Having considered the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, and the principal factors and reasons considered by, and the advice of Gram Capital set out in its letter of advice, we consider that the terms of the Acquisition Agreement, including the allotment and issue of the Consideration Shares, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend theIndependent Shareholders to vote in favour of the ordinary resolutions approving the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares, at the SGM.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Man Sang International Limited

Ms. Pau Yee Ling **Mr. Wong Kwan Kit** **Mr. Yuen Hoi Po**
Independent non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Acquisition for the purpose of inclusion in the Circular.

Gram Capital Limited
嘉林資本有限公司

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Hong Kong

10 September 2020

To: The Independent Board Committee and the Independent Shareholders of Man Sang International Limited

Dear Sir/ Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF DOOF JAPAN**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 10 September 2020 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, on 14 July 2020 (after trading hours of the Stock Exchange), the Purchaser, a direct wholly-owned subsidiary of the Company, the Vendor and the Company entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the Sale Shares, representing the entire issued share capital of Doof Japan, and the Shareholder's Loan. The Final Consideration in the amount of JPY848,394,046 (equivalent to approximately HK$60,575,335) will be satisfied by the issue and allotment of 163,717,121 Consideration Shares at the Issue Price of HK$0.370 per Consideration Share.

With reference to the Board Letter, the Vendor (i.e. Mr. Hu), is an executive Director and ultimate controlling Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The Acquisition constitutes a major and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po, being all of the independent non-executive Directors, has been formed to advise the Independent Shareholders on (i) whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of the business of the Company; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Acquisition. We consider that we have taken sufficient and necessary steps (including review of the Group's financial information for each of the two years ended 31 March 2020, the Acquisition Agreement, the Property Valuation Report and the Equipment Valuation Report, and discussion with the Company's management and the Valuer) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. Details of our steps taken and analysis are set out in this letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Target Company, and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report on the Target Property (the "**Property Valuation Report**") and the valuation report on the Target Group's equipment (the "**Equipment**") (the "**Equipment Valuation Report**") as prepared by Vigers Appraisal & Consulting Limited, being an independent professional valuer appointed by the Company (the "**Valuer**"). Since we are not experts in the valuation of property and equipment, we have relied solely upon the Property Valuation Report and the Equipment Valuation Report for the Property Valuation and the Equipment Valuation respectively.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendor, the Target Group, or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

Information on the Company

With reference to the Board Letter, the Group is principally engaged in property development and investment which covers development, sales and leasing of properties (including serviced apartments, residential apartments and shopping mall).

Set out below is a summary of the audited consolidated financial information on the Group for the two years ended 31 March 2020 as extracted from the Company's annual report for the year ended 31 March 2020 (the "**2020 Annual Report**"):

	For the year ended 31 March 2020	**For the year ended 31 March 2019**	**Year on year change**
	HK$'000	*HK$'000*	*%*
Revenue	124,853	159,399	(21.67)
— *Sales of properties*	109,680	156,721	(30.02)
— *Property management services*	15,173	2,678	466.58
Gross profit	63,039	61,509	2.49
Loss for the year	(190,842)	(128,976)	47.97

As illustrated in the above table, the Group's revenue for the year ended 31 March 2020 ("**FY2020**") decreased by approximately 21.67% as compared to that for the year ended 31 March 2019 ("**FY2019**"). With reference to the 2020 Annual Report, such decrease was a result of decrease in number of apartments sold for FY2020. The Group's gross profit for FY2020 increased by approximately 2.49% as compared to that for FY2019. With reference to the 2020 Annual Report, such increase was mainly due to certain residential apartments sales with higher gross profit margin during FY2020 and the increase in property management fee during FY2020. The Group's loss for FY2020 increased by approximately 47.97% as compared to that for FY2019. With reference to the 2020 Annual Report, such decrease was mainly due to impairment losses on certain assets and increase in selling and administrative expenses and finance costs.

With reference to the 2019 Annual Report and as confirmed by the Directors, save for the development of the Group's existing business, the Company is actively looking for investment and acquisition opportunities that have prospects to diversify the revenue sources of the Group in order to create shareholders' value.

Information on the Target Group

With reference to the Board Letter, the Target Group comprises Doof Japan, Yoichi Country, Tokyo Doof and Ichiki Kogyo as at the Latest Practicable Date.

Doof Japan is a company incorporated in Japan with limited liability and is an investment holding company which is wholly-owned by Mr. Hu. Doof Japan has a wholly-owned subsidiary, namely Yoichi Country.

Yoichi Country is a company incorporated in Japan with limited liability and is principally engaged in hotel management business and operation of golf course. Yoichi Country holds the entire interest in the Target Property (i.e. hotel property and golf course located at 2361-1, Yoichi Cho, Yoichi Gun, Hokkaido, Japan).

Tokyo Doof is a company incorporated in Japan with limited liability and is owned as to approximately 99.9% by Doof Japan and as to approximately 0.1% by the general manager of Yoichi Country. As at the Latest Practicable Date, it is a dormant company.

Ichiki Kogyo is a company incorporated in Japan with limited liability and is owned as to approximately 99.9% by Yoichi Country and as to approximately 0.1% by the general manager of Yoichi Country. As at the Latest Practicable Date, it is a dormant company.

Set out below is a summary of the audited consolidated financial information of the Target Group for the period for the three financial years ended 31 March 2020 as extracted from the accountants' report of the Target Group as set out in Appendix II to the Circular (the "**Accountants' Report**"):

	For the year ended 31 March 2018	**For the year ended 31 March 2019**	**For the year ended 31 March 2020**
	JPY'000	*JPY'000*	*JPY'000*
Revenue	128,695	153,742	156,917
Gross loss	(100,177)	(110,493)	(94,519)
Loss and total comprehensive loss for the year	(678,465)	(185,511)	(177,525)

	As at 31 March 2018	**As at 31 March 2019**	**As at 31 March 2020**
	JPY'000	*JPY'000*	*JPY'000*
Net liabilities	(668,465)	(853,976)	(1,031,501)

With reference to the Accountants' Report, the Target Group recorded substantial impairment of goodwill of approximately JPY246 million, transaction cost of approximately JPY281 million related to acquisition of Yoichi Country by Doof Japan in 2017 and administrative and other expenses of approximately JPY57 million, for the financial year ended 31 March 2018 ("**FY2018**"). Together with the Target Group's gross loss recorded in FY2018 as a result of low hotel occupancy rate, the Target Group recorded substantial loss and total comprehensive loss of approximately JPY678 million in FY2018.

As depicted from the above table, the Target Group's revenue increased by approximately 19% in FY2019 as compared to that for FY2018. Despite the Target Group's increased revenue in FY2019, the Target Group's gross loss increased by approximately 10% in FY2019 as compared to that for FY2018. As advised by the Directors, such increase in the Target Group's gross loss was mainly due to increased investment in staff cost, advertisement and consumables which improved the hotel occupancy rate and golf course utilisation.

Despite the Target Group's increased gross loss in FY2019, the Target Group's loss and total comprehensive loss greatly reduced by approximately 73% in FY2019 as compared to that for FY2018 given the absence of impairment of goodwill and transaction cost related to acquisition of Yoichi Country by Doof Japan.

With further improvement in the hotel occupancy rate, the Target Group's revenue increased by approximately 2% in FY2020 as compared to that for FY2019. The Target Group's gross loss decreased by approximately 14% in FY2020 as compared to that for FY2019 and there was also a slight reduction in the Target Group's loss and total comprehensive loss in FY2020 as compared to that for FY2019.

The Target Group recorded net current liabilities of approximately JPY1,859 million and net liabilities of approximately JPY1,032 million as at 31 March 2020, comprising the Shareholder's Loan of approximately JPY1,914 million.

With reference to the Accountants' Report, in view of the significance of the extent of the uncertainties relating to the continuous financial support to the Target Group, the Company's auditors disclaim their opinion in respect of the historical financial information of the Target Group for FY2020 (the "**Accountant's Report Disclaimer**").

Information on the Vendor

With reference to the Board Letter, as at the Latest Practicable Date, the Vendor is Mr. Hu, an executive Director and the ultimate controlling Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules.

Reasons for and benefits of the Acquisition

With reference to the Board Letter, to continue the momentum of the Group's expansion of its property development and related investment business, the Board considers that the Acquisition offers a good opportunity for the Group to expand into Japan market and enhance its assets portfolio with a potential of capital appreciation in the long run. The principal assets of the Target Group are a hotel with 24 rooms and 10 log houses, and a golf club with an 18-hole golf course located in Yoichi, Japan.

The Directors are optimistic about the prospects of the tourism industry in Japan in the long run. The number of foreign tourists in Japan has grown considerably in recent years. Certain major events are set to take place in Japan, including the Tokyo Olympics and Paralympics, as well as the Osaka-Kansai World Expo. The Japanese government aims to attract 60 million foreign tourists by 2030.

With reference to the Board Letter and as advised by the Directors, subject to the Completion, the Directors will review the business and operation of the Target Group. The business model of the Target Group is to manage and operate the resort hotel and the golf club with 18-hole golf course. As the operation of the golf course is subject to seasonality and customers mainly visit golf course from spring to autumn in Hokkaido, Japan, the golf club and the hotel open for about eight months a year. The Directors believe that there may be room for improvement and enhancement in business and operation, such as leveraging on the experience of the Group's management team in management and operation of golf course to enhance competitiveness, efficiency and utilisation, exploring the possibility to operate as an all-year-round resort, enhancement of the facilities of the hotel including hot spring, skiing and accommodation facilities, and expanding the scope of services to ski enthusiasts in winter. The Group intends to gradually refurbish the hotel and enhance the facilities in around 2021. The Group will also enhance the hot spring resources in around year 2022. The Directors believe that the refurbishment of hotel and enhancement of the facilities will increase the attractiveness of the hotel, which may enable the Target Group to improve its occupancy rate and room rate.

The Directors will also review the marketing strategy of the hotel and golf club. In order to attract golf enthusiasts to visit the golf course, the Target Group will put more effort in marketing and promotions, such as launching golf competitions. Currently, majority of the customers of the Target Group are local tourists. The Directors note that the number of foreign tourists in Japan has grown considerably in recent years before the outbreak of COVID-19, and believe there is growth potential in the long run amid the Tokyo Olympics and Paralympics, as well as the

Osaka-Kansai World Expo. When the COVID-19 pandemic passes, the Target Group will target to enlarge the customer base through leveraging on the potential growth of tourists in Japan as mentioned above. It will put more efforts in promotion and marketing to tours, tourists and golf enthusiasts from overseas, in particular, the PRC, Korea and South East Asia.

In addition, the Target Property has large areas of woodland, wilderness and other land that could be used for development. The Directors will review the business potential to further develop the vacant land near the golf course, with a view to bring more investment return for the Shareholders.

As advised by the Directors, the Target Group's hotel occupancy rate was approximately 18.2% only for FY2020. There is potential for improvement. In addition, the Target Group's golf club and hotel currently operates for about eight months from spring to autumn. Should the above intended development of the Target Group by the Group be implemented successfully, the Target Group can operate all-year-round and its hotel occupancy rate will increase. Hence, the Target Group's financial performance may be improved. In addition, further development of the Target Group's vacant land may also bring additional return to the Enlarged Group.

With reference to the "Number of visitors to Japan" published by the Japan National Tourism Organization, foreign visitors to Japan doubled in the last decade and reached 10 million people for the first time in 2013, led by an increase of Asian visitors. In 2008, the Japanese government set up the Japan Tourism Agency and set the initial goal to increase foreign visitors to 20 million in 2020. In 2016, having met the 20 million target, the Japanese government revised up its target to 40 million by 2020 and to 60 million by 2030.

With reference to the Hokkaido Comprehensive Development Plan for year 2016-2025 published by the Hokkaido Bureau Ministry of Land, Infrastructure, Transport and Tourism, Hokkaido contributes as one of the most popular destinations of Japan among foreign tourists. Hokkaido has an abundance of natural environment, blessed with beautiful nature and farmlands. Hokkaido also has appealing tourism resources even amongst Asian countries, such as its unique history and cultures as well as safe and high-quality agricultural products. These characteristics make the region enjoy great popularity among tourists. Toward world-class tourist destinations, in addition to bringing out more of Hokkaido's characteristics, the Japanese government will promote the formation of wide-area round-trip routes, each of which has its own theme and/or story. This will smooth the variations in seasonal travel demands, and spread the economic benefits of in-bound tourism across Hokkaido. In addition, inbound tourists visiting Hokkaido have been rising sharply. Over the coming years, there are more events that could trigger a further increase in foreign tourists visiting Hokkaido, including the Tokyo Olympics and Paralympic Games, the opening of Hokkaido Shinkansen (bullet train) to Sapporo (end of fiscal year 2030). The Japanese government will continue the strategic efforts and engagements to have Hokkaido be received as a world-class tourist destination that attracts people globally.

With reference to the White Paper on Tourism in Japan, 2019 published by the Japan Tourism Agency in June 2019, the year-on-year changes of the total number of guest nights of international visitors in Hokkaido in 2018 as compared to that in 2017 increased by 6.2%.

According to the Mastercard's Asia Pacific Destinations Index (the "**APDI**") published on 4 September 2019, Hokkaido was one of the 20 most visited destinations in year 2018. Also, for the second year in a row, Japan is the only market in the APDI to command 25% of Asia Pacific's top 20 destinations.

The above findings demonstrate the potential and prospects of Hokkaido tourism.

With reference to the Board Letter, the outbreak of COVID-19 in early 2020 has dampened the momentum of tourism in Japan. As part of the measures to contain the worldwide outbreak of COVID-19 in early 2020, Japan's borders are currently closed to travelers from numerous countries. On 7 April 2020, the Japanese government declared a state of emergency in Tokyo and six other prefectures. With the dwindling numbers of new cases of COVID-19, in late May 2020, the Japan government lifted the state of emergency for all of Japan. Domestic flights have gradually resumed and domestic travel restrictions were mostly lifted in mid-June. In order to provide support to the tourism industry and local economy, in July, the Japan government launched a JPY1.7 trillion "Go to Travel" campaign to encourage domestic tourism and help hospitality operators. We consider the impact of the COVID-19 on Japanese tourism may be short-term.

Having considered the above, we consider the Company's intended development on the Target Group to be feasible.

Although the Target Group recorded loss and total comprehensive loss for the three financial years ended 31 March 2020 and net liabilities as at 31 March 2020 and there is the Accountant's Report Disclaimer, having considered the followings:

(i) the Group is principally engaged in property development and investment which covers development, sales and leasing of properties (including serviced apartments (hospitality related), residential apartments and shopping mall);

(ii) the Company's business strategy to look for investment and acquisition opportunities that have prospects to diversify the revenue sources of the Group in order to create shareholders' value;

(iii) the potential and prospects of the Target Group;

(iv) the Company's intended development on the Target Group;

(v) the potential and prospects of Hokkaido tourism despite the impact of the COVID-19 which maybe short-term; and

(vi) the assignment of the Shareholder's Loan (As a result, the Shareholder's Loan was eliminated under the unaudited pro forma financial information of the Enlarged Group (the "**Pro Forma Information**") as contained in Appendix IV to the Circular). The amount of the Shareholder's Loan was larger than the Target Group's net current liabilities and net liabilities as at 31 March 2020, we concur with the Directors that the Acquisition is conducted under the ordinary and usual course of the business of the Company and is in the interests of the Company and its Shareholders as a whole.

Principal terms of the Acquisition Agreement

Summarised below are the principal terms for the Acquisition Agreement, details of which are set out under the section headed "THE ACQUISITION AGREEMENT" of the Board Letter.

Date:

14 July 2020 (the "**Agreement Date**")

Parties:

(i) Decent Start Limited, as the Purchaser

(ii) Mr. Hu, as the Vendor

(iii) the Company

Assets to be acquired

With reference to the Board Letter, the assets to be acquired under the Acquisition Agreement comprise (i) the Sale Shares, representing the entire issued share capital of Doof Japan as at the Latest Practicable Date; and (ii) the Shareholder's Loan. Upon the Completion, Doof Japan will become an indirect wholly-owned subsidiary of the Company.

Consideration

Pursuant to the Acquisition Agreement, the Initial Consideration of JPY848,394,046 (equivalent to approximately HK$60,575,335) for acquiring the equity interest in Doof Japan and the Shareholder's Loan shall be satisfied by the Company by the issue and allotment of the Consideration Shares (subject to the adjustment) at the Issue Price of HK$0.370 to the Vendor (or such other person(s) may be directed by the Vendor in writing) within seven business days from the Completion Date.

With reference to the Board Letter, the consideration of the Acquisition was arrived at after arm's length negotiations between the Purchaser and the Vendor and was determined after having taken into account various relevant factors including:

(i) the net liabilities value of the Target Group as at 31 March 2020;

(ii) the Property Valuation;

(iii) the Equipment Valuation;

(iv) the Shareholder's Loan; and

(v) a 10.00% discount on the aggregate of the Shareholder's Loan and the adjusted net liabilities of the Target Group (the "**Consideration Discount**").

With reference to the Board Letter, in determining the Initial Consideration, the unaudited net liabilities of the Target Group was adjusted to reflect its fair value by taking into account the Property Valuation of approximately JPY1,034,000,000 and the Equipment Valuation of approximately JPY38,248,800 as at 22 June 2020. Details of the said adjustment are set out in the below reconciliation from the unaudited net liabilities of the Target Group to the Final Consideration (the "**Consideration Reconciliation**") as extracted from the Board Letter:

	JPY
Audited net liabilities of the Target Group as at 31 March 2020	(1,031,501,000)
Less: Carrying value of the property, plant and equipment as at 31 March 2020	(1,073,625,000)
Add: Property Valuation as at 22 June 2020	1,034,000,000
Add: Equipment Valuation as at 22 June 2020	38,248,800
Adjusted Net Liabilities	(1,032,877,200)
Add: The Shareholder's Loan	1,975,537,251
Aggregate of the Shareholder's Loan and the Adjusted Net Liabilities	942,660,051
Less: 10% discount on the aggregate of the Shareholder's Loan and the Adjusted Net Liabilities	(94,266,005)
Final Consideration	848,394,046

Adjustment mechanism

Before the Completion, the Initial Consideration shall be adjusted according to the audited adjusted net liabilities of the Target Group (taking into account the finalised Property Valuation and the finalised Equipment Valuation) as follows:

(i) upward based on the difference between the unaudited adjusted net liabilities and the audited adjusted net liabilities, if the unaudited adjusted net liabilities is lesser than the audited adjusted net liabilities. The adjustment shall in aggregate be subject to a maximum cap of JPY100,000,000; or

(ii) downward based on the difference between the unaudited adjusted net liabilities and the audited adjusted net liabilities, if the unaudited adjusted net liabilities is greater than the audited adjusted net liabilities.

The number of Consideration Shares shall be equivalent to the consideration of the Acquisition divided by the Issue Price of HK$0.370. In the event that the Initial Consideration is adjusted pursuant to the mechanism above, the number of Consideration Shares shall be adjusted accordingly.

Pursuant to the adjustment mechanism to the consideration as set out above, the consideration of the Acquisition remained unchanged as JPY848,394,046 (equivalent to approximately HK$60,575,335). Accordingly, the Consideration Shares shall comprise 163,717,121 new Shares.

The valuation reports

To assess the fairness and reasonableness of the consideration of the Acquisition, we obtained the Property Valuation Report prepared by the Valuer and noted that the market value of the Target Property in existing state as at 22 June 2020 was JPY1,034,000,000 (equivalent to approximately HK$73,827,600). Details of the Property Valuation Report are set out in Appendix V to the Circular. We also obtained the Equipment Valuation Report prepared by the Valuer and noted that the market value of the Equipment as at 22 June 2020 was JPY38,248,800 (equivalent to approximately HK$2,730,964). Details of the Equipment Valuation Report are set out in Appendix VII to the Circular.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification in relation to the preparation of the Property Valuation Report and the Equipment Valuation Report (including reasonable checks to assess the relevant qualifications, experience and expertise of the Valuer (e.g. reviewing the Valuer's company profile and discussing with the Valuer regarding their qualifications and experience)); and (iii) the steps and due diligence measures taken by the Valuer for conducting the Property Valuation Report and the Equipment Valuation Report. From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we were satisfied with the terms of engagement of the Valuer as well as their qualification for preparation of the Property Valuation Report and the Equipment Valuation Report. The Valuer also confirmed that they are independent to the Group, the Target Group and the Vendor.

With reference to the Property Valuation Report, the Property Valuation Report was prepared by the Valuer by adopting a combination of the market and depreciated replacement cost approach in assessing the land portion of the Target Property and the buildings and structures standing on the land respectively. In the valuation of the land portion, reference was made to the sales evidence as available to the Valuer in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. Upon our enquiry, the Valuer advised us that, after having assessed the appropriateness of possible methodologies for different valuation approaches and circumstances and facts specific to the Target Property, the Valuer considered that the aforesaid valuation methodologies are the most appropriate valuation methodologies in the case of the Target Property.

With reference to the Equipment Valuation Report, the Equipment Valuation Report was prepared by the Valuer by adopting the cost approach. Upon our enquiry, the Valuer advised us that, after having assessed the appropriateness of possible methodologies for different valuation approaches and circumstances and facts specific to the Target Property, the Valuer considered that the aforesaid valuation methodology is the most appropriate valuation methodology in the case of the Equipment.

We further reviewed and enquired into the Valuer on the methodologies adopted and the basis and assumptions and parameters adopted in the Property Valuation Report and the Equipment Valuation Report in order for us to understand the Property Valuation Report and the Equipment Valuation Report. We also obtained supporting information on the parameters adopted. During our discussion with the Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Property Valuation Report and the Equipment Valuation Report.

Having considered the Consideration Reconciliation as set out above and our independent work performed on the Property Valuation Report and the Equipment Valuation Report, we are of the view that the Final Consideration is fair and reasonable.

Consideration Shares and Issue Price

As aforementioned, the Final Consideration shall be satisfied by the Company by the issue and allotment of the Consideration Shares of 163,717,121 new Shares at the Issue Price of HK$0.370 to the Vendor (or such other person(s) may be directed by the Vendor in writing) within seven business days from the Completion Date.

With reference to the Board Letter, the Issue Price of HK$0.370 per Share was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to, among others, the recent trading prices of the Shares, the issue of placing shares at a discount of approximately 14.63% to the closing price of HK$0.410 per Share on the date of the placing agreement in respect of the Company's recent placing of Shares announced on 24 June 2020 (the "**Placing Discount**"), the financial performance of the Group and the current market conditions. In particular, having considered that the Acquisition from the Vendor constitutes a connected transaction of the Company, and that the discount on the Issue Price (to the closing price of the Shares on the date of the Acquisition Agreement) is smaller than the discount on the placing price of the placing shares (to the closing price of the Shares on the date of the placing agreement on 24 June 2020), the Board considers that the Issue Price is fair and reasonable.

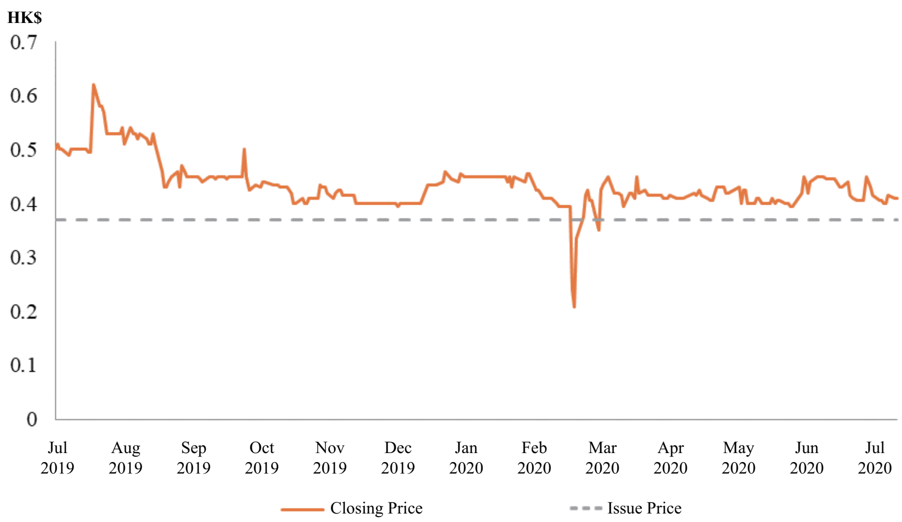
The Issue Price represents a discount of approximately 9.76% to the closing price of the Shares of HK$0.410 per Share as quoted on the Stock Exchange on 14 July 2020, being the date of the Acquisition Agreement (the "**Agreement Date Discount**").

In order to assess the fairness and reasonableness of the Issue Price, we performed the following assessments.

Share price performance

In order to assess the fairness and reasonableness of the Issue Price, we reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 2 July 2019 up to and including the Agreement Date (the "**Review Period**"), being a period of approximately one year up to and including the Agreement Date. An one-year review period is commonly adopted for share price assessment and we consider the Review Period to be fair and reasonable. The daily closing prices of the Shares are illustrated as follows:

Historical daily closing price per Share



Source: The Stock Exchange's website

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK$0.208 recorded on 20 February 2020 and HK$0.620 recorded on 19 July 2019 respectively. The Issue Price of HK$0.370 is (i) within the range of the lowest and highest closing prices of Shares; and (ii) higher than the closing prices of the Shares in 4 days, during the Review Period.

As illustrated in the above diagram, the closing prices of the Shares did not form a continuous and specific trend during the Review Period and there was a sudden drop in the closing prices of the Shares in mid-February 2020 (with recovery thereafter).

Liquidity

Set out below are (i) the number of trading days; (ii) the percentage of the Shares' average daily trading volume (the "**Average Volume**") as compared to the total number of issued Shares held by the public as at the Agreement Date; and (iii) the percentage of the Average Volume as compared to the total number of issued the Shares as at the Agreement Date, during the Review Period:

Month	No. of trading days in each month	% of the Average Volume to total number of issued Shares held by the public as at the Agreement Date	% of the Average Volume to total number of issued Shares as at the Agreement Date
		%	%
2019			
July	22	0.01	0.01
August	22	0.05	0.02
September	21	0.03	0.01
October	21	0.03	0.01
November	21	0.01	0.003
December	20	0.003	0.001
2020			
January	20	0.02	0.01
February	20	0.84	0.35
March	22	0.12	0.05
April	19	0.01	0.005
May	20	0.05	0.02
June	21	0.82	0.34
July (up to and including the Agreement Date)	9	0.01	0.005

Source: The Stock Exchange's website

Notes:

1. Based on 849,354,611 Shares held by the public as at the Agreement Date.

2. Based on 2,047,275,856 Shares as at the Agreement Date.

We noted from the above table that the liquidity of the Shares was generally thin during the Review Period. Save for February and June 2020, the Average Volume during the Review Period was below 0.5% of (i) the total number of issued Shares held in public hands; and (ii) the total number of issued Shares, as at the Agreement Date.

Comparables

As part of our analysis, we further identified transactions in relation to acquisition involving the issue of consideration shares (the "**Comparables**") which were announced by companies listed on the Stock Exchange during the period from 2 January 2020 up to the Agreement Date (being an approximate half-year period up to and including the Last Trading Day). To the best of our knowledge and as far as we are aware of, we found 26 transactions which met the said criteria and they are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparables and we have not conducted any independent verification with regard to the businesses and operations of such companies.

Company name (stock code)	Date of announcement	Premium/(discount) of the issue price to closing price per share on the last trading day prior to/date of agreement in relation to the respective issuance of shares
TL Natural Gas Holdings Limited (8536)	19 January 2020	6.12
C-MER Eye Care Holdings Limited (3309)	20 January 2020	(3.64)
GTI Holdings Limited (3344)	6 February 2020	1.25
PacRay International Holdings Limited (1010)	14 February 2020	2.67
Elegance Commercial and Financial Printing Group Limited (8391)	21 February 2020	(2.63)
Kerry Logistics Network Limited (636)	24 February 2020	6.61
Worldgate Global Logistics Ltd (8292)	24 February 2020	6.62
Hong Kong Finance Investment Holding Group Limited (7)	13 March 2020	11.84
F8 Enterprises (Holdings) Group Limited (8347)	23 March 2020	3.96
Ming Lam Holdings Limited (1106)	23 March 2020	25.00
New Western Group Limited (8242)	25 March 2020	(3.40)

Company name (stock code)	Date of announcement	Premium/(discount) of the issue price to closing price per share on the last trading day prior to/date of agreement in relation to the respective issuance of shares
TL Natural Gas Holdings Limited (8536)	3 April 2020	6.67
Ausnutria Dairy Corporation Ltd (1717)	9 April 2020	0.16
SDM Group Holdings Limited (8363)	17 April 2020	1.35
CA Cultural Technology Group Limited (1566)	23 April 2020	(1.52)
Asia Grocery Distribution Limited (8413)	24 April 2020	(64.91)
AL Group Limited (8360)	29 April 2020	37.93
L & A International Holdings Limited (8195)	11 May 2020	(6.25)
Planetree International Development Limited (613)	14 May 2020	29.87
Xiaomi Corporation (1810)	21 May 2020	(13.51)
Green Leader Holdings Group Limited (61)	25 May 2020	8.33
Jiyi Holdings Limited (formerly known as Jiyi Household International Holdings Limited) (1495)	4 June 2020	(7.14)
Golden Faith Group Holdings Limited (2863)	8 June 2020	1.75
Xinming China Holdings Limited (2699)	17 June 2020	(4.76)
Differ Group Holding Company Limited (6878)	18 June 2020	(12.09)
China Rongzhong Financial Holdings Company Limited (3963)	26 June 2020	(8.33)
Maximum		**37.93**
Minimum (excluding outlier)		**(13.51)**
Average (excluding outlier)		**3.47**
The Acquisition		**(9.76)**

Source: The Stock Exchange's website

We noted from the above table that the issue prices of the Comparables (excluding the case of Asia Grocery Distribution Limited (stock code: 8413) which was considered as outlier) ranged from a discount of approximately 13.51% to a premium of approximately 37.93% with average premium of approximately 3.47% to/over the respective closing prices of the shares on the last trading day prior to/date of agreement in relation to the respective acquisition (the "**Discount/Premium Market Range**"). As such, the Issue Price, which represents a discount of approximately 9.76% to the closing price of the Shares on the Agreement Date, falls within the Discount/Premium Market Range. Although the Agreement Date Discount is at the low-end of the Discount/Premium Market Range, we consider that it is not exceptional as it is still within the Discount/Premium Market Range. Therefore, we are of the opinion that the Agreement Date Discount is in line with the market practice.

Although the Issue Price was higher than the closing prices of the Shares in only 4 days during the Review Period, having considered

(i) that the Issue Price of HK$0.370 is within the range of the lowest and highest closing prices of Shares during the Review Period;

(ii) that it is reasonable to set the Issue Price at discount to justify for the generally thin liquidity of the Shares during the Review Period (thin liquidity may affect the market value of the Shares);

(iii) that the Agreement Date Discount falls within the Discount/Premium Market Range; (although the Agreement Date Discount is at the low-end of the Discount/Premium Market Range, we consider that it is not exceptional as it is still within the Discount/Premium Market Range);

(iv) that the Agreement Date Discount is smaller than the Placing Discount which was associated with the share placement to independent third parties conducted by the Company within one month prior to the Agreement Date; and

(v) the Consideration Discount which was slightly deeper than the Agreement Date Discount and indicated that the Group is acquiring the Target Group at 10% discount to the Target Group's implied value under the Acquisition (i.e. the aggregate of the Shareholder's Loan and the Adjusted Net Liabilities),

we consider the Issue Price of HK$0.370 to be fair and reasonable.

Other terms of the Acquisition Agreement are set out in the section headed "THE ACQUISITION AGREEMENT" in the Board Letter.

Taking into account the principal terms of the Acquisition Agreement as set out above, we consider that the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned.

Possible dilution effect on the shareholding interests of the public Shareholders

With reference to the shareholding table in the section headed "SHAREHOLDING STRUCTURE OF THE COMPANY" of the Board Letter, the shareholding interests held by the public would be diluted by approximately 3.07 percentage points as a result of the issue of Consideration Shares. In this regard, taking into account (i) the reasons for and benefits of the Acquisition; and (ii) the terms of the Acquisition being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders as a result of the issue of Consideration Shares is justifiable.

Possible financial effects of the Acquisition

Upon the Completion, the Group will be interested in the entire issued shares of Doof Japan, and each member of the Target Group will become a subsidiary of the Company, whose results, assets and liabilities will be consolidated into the accounts of the Group.

The unaudited pro forma financial information of the Enlarged Group (the "**Pro Forma Information**") is included in Appendix IV to the Circular.

With reference to the 2020 Annual Report, the consolidated total assets and total liabilities of the Group were approximately HK$4.60 billion and HK$4.13 billion as at 31 March 2020 respectively. According to the Pro Forma Information, the unaudited consolidated total assets and total liabilities of the Enlarged Group would be approximately HK$4.68 billion and HK$4.15 billion respectively as if the Acquisition had taken place at 31 March 2020.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon the Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Acquisition are on normal commercial terms and are fair and reasonable; and (ii) the Acquisition is conducted in the ordinary and usual course of the business of the Company and is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: *Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.*

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2018, 31 March 2019 and 31 March 2020 are disclosed in the annual reports of the Company for the years ended 31 March 2018, 31 March 2019 and 31 March 2020, respectively, together with the relevant notes thereto, which have been published and are available on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.msil.com.hk) as follows:

- annual report of the Company for the year ended 31 March 2018 published on 21 June 2018 (pages 64 to 157):

  https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0621/ltn20180621378.pdf

- annual report of the Company for the year ended 31 March 2019 published on 12 June 2019 (pages 64 to 165):

  https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0623/ltn20190623051.pdf

- annual report of the Company for the year ended 31 March 2020 published on 29 July 2020 (pages 74 to 197):

  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0729/2020072900627.pdf

2. INDEBTEDNESS STATEMENT

Indebtedness

As at the close of business on 31 July 2020, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to printing of this circular, the Group had the following indebtedness:

	31 July 2020
	HK$'000
Indebtedness — Bank borrowing	1,391,789
Indebtedness — Other borrowings	113,526
Indebtedness — Promissory notes	1,000,942
Indebtedness — Other indebtedness	6,063
Indebtedness — Lease liabilities	27,063
	2,539,383

(i) **Indebtedness — Bank borrowing**

The secured bank loan as at 31 July 2020 represents the new bank loan with principal amount of RMB1,244,040,000 obtained during the year ended 31 March 2020 (equivalent to HK$1,380,884,000) with interest payable of approximately RMB9,824,000 (equivalent to approximately HK$10,905,000). The secured bank loan carries a fixed interest rate of 7% per annum, with the interest payable quarterly, and will mature on 30 March 2035. It was secured by certain investment properties under construction, properties under development or held for sale and certain property, plant and equipment.

(ii) **Indebtedness — Other borrowings**

The unsecured loan interest payable as at 31 July 2020 represents the amount of RMB359,000 (equivalent to approximately HK$399,000) from an independent third party to the Group. The principle of the unsecured loan had been fully settled since April 2020. The interest payable was still outstanding, with a maturity date on 20 July 2021.

An unsecured revolving loan facility with an aggregate facility amount of RMB500,000,000 (equivalent to HK$555,000,000) has been granted from Mr. Hu to certain subsidiaries established in the PRC which carries a fixed interest rate of 9% per annum. As at 31 July 2020, unsecured borrowings with aggregate principal had been fully settled since April 2020. The interest payable of RMB42,099,000 (equivalent to approximately HK$46,730,000) was still outstanding, with a maturity date on 6 July 2021.

Another unsecured revolving loan facility has been granted from Mr. Hu to an indirectly wholly-owned subsidiary of the Company amounted to HK$100,000,000, which carries a fixed interest rate of 8% per annum, with maturity date on 6 July 2021. As at 31 July 2020, unsecured borrowing with principal amount of HK$59,664,000 has been drawn down with the interest payable of HK$6,733,000.

(iii) **Promissory notes**

The Group had outstanding promissory notes with aggregate principal amount of HK$778,000,000 with the interest payable of HK$222,942,000 due to Total Idea International Limited, a company wholly-owned by Mr. Hu. As advised by Mr. Hu, the promissory notes were transferred from Xinli Holdings Limited to Total Idea International Limited on 15 December 2017 following arm's length negotiation between the parties having considered that the promissory notes would generate interest income at maturity date. The promissory notes carried fixed interest rate of 8% per annum, and the principal amount and the interest accrued will be repaid at the maturity date on 28 July 2022.

Each of Xinli Holdings Limited and its ultimate beneficial owner do not have any relationship (business or otherwise, implicit or explicit, expressed or implied) nor have any arrangement, understanding or undertaking (formal or informal, expressed or implied) with, and is a third party independent of, Mr. Hu, the Company and their connected persons.

(iv) **Other indebtedness**

The Group had outstanding indebtedness of RMB4,450,000 (equivalent to approximately HK$4,940,000) due to an independent third party to the Group, in which the amount was unguaranteed, unsecured, non-interest bearing and repayable on demand.

(v) **Lease liabilities**

Lease liabilities of the Group was approximately HK$27,063,000.

As at the close of business on 31 July 2020, the Target Group had aggregate borrowings of approximately JPY1,975,133,000 (equivalent to approximately HK$141,025,000) comprising unsecured shareholder's loan.

Contingent liabilities

As at 31 July 2020, the Enlarged Group had no material contingent liability.

Except as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have, as at 31 July 2020 any other debt securities issued and outstanding, and authorised or otherwise created but unissued, other borrowings and indebtedness, bank overdrafts, acceptance credits, hire purchases commitments, finance lease commitments, mortgages, charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, following completion of the Acquisition, taking into the financial resources available to the Enlarged Group, including its internally generated funds, the present available banking facilities of the Enlarged Group, and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company is an investment holding company. The Group is principally engaged in property development and investment which covers development, sales and leasing of properties.

As disclosed in the annual report of the Company for the year ended 31 March 2020 published on 29 July 2020, the Company has been actively looking to diversify the revenue sources of the Group in order to create shareholders' value. To continue the momentum of the Group's expansion of its property development and related investment business, the Acquisition offers a good opportunity for the Group to expand into Japan market and enhance its assets portfolio with a potential of capital appreciation in the long run.

5. MATERIAL ACQUISITIONS

On 8 May 2020, Wenzhou Rongdong Real Estate Development Co., Ltd.* (溫州榮東房地產開發有限公司), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Hu Shikuan and Ms. Zhang Tingting in relation to the sale and purchase of the entire equity interests in Wenzhou Junshang Decoration Co., Ltd.* (溫州君尚裝飾有限公司) for a consideration of RMB1. Please refer to the Company's announcements dated 8 May 2020 and 21 May 2020 for more details.

Save as disclosed above and the Acquisition, the Group has not entered into any material acquisitions after 31 March 2020, being the date to which the latest published audited accounts of the Company have been made up, and the aggregate remuneration payable to and benefits in kind receivable by the Directors have not been varied as a consequence of such material acquisitions.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The following is the text of a report set out on II-1 to II-3, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP TO THE DIRECTORS OF MAN SANG INTERNATIONAL LIMITED

INTRODUCTION

We were engaged to report on the historical financial information of 株式会社多弗 (the "Target Company") and its subsidiaries (collectively referred to as the "Target Group") set out on pages II-5 to II-47, which comprises the consolidated statements of financial position of the Target Group as at 31 March 2018, 2019 and 2020 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 March 2018, 2019 and 2020 (the "Track Record Period") and a summary of significant policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information of the Target Group are set out on pages II-5 to II-47 forms an integral part of this report, which has been prepared for inclusion in the circular of Man Sang International Limited (the "Company") dated 10 September 2020 (the "Circular") in connection with the proposed acquisition of the entire equity interest in the Target Company by the Company.

DIRECTORS' RESPONSIBILITIES FOR HISTORICAL FINANCIAL INFORMATION

The director of the Company is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

The financial statements of the Target Group for the Track Record Period (the "Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the director of the Target Company.

COMPANY'S REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

COMPANY'S REPORTING ACCOUNTANTS' RESPONSIBILITY (CONTINUED)

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Group, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Group's financial position as at 31 March 2018 and 2019, and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

We do not express an opinion on the Historical Financial Information of the Target Group for the year ended 31 March 2020. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to form an audit opinion on this Historical Financial Information for the year ended 31 March 2020.

BASIS FOR DISCLAIMER OF OPINION

As described in note 2 to the Historical Financial Information, the Target Group incurred a net loss from continuing operations of approximately JPY177,525,000 during the year ended 31 March 2020 and as of 31 March 2020, the Target Group had net current liabilities of approximately JPY1,859,132,000 and had net liabilities of approximately JPY1,031,501,000. The Target Group's aggregate borrowings amounted to approximately JPY1,914,155,000 as at 31 March 2020 which will be due for repayment within twelve months from 31 March 2020, while its bank balances and cash amounted to approximately JPY71,658,000 only as at 31 March 2020. The Target Group's ability to continue as a going concern is dependent on the continuous financial support from the sole shareholder of the Target Company.

Should the sole shareholder of the Target Company no longer provide financial support to the Target Group, it might not be able to continue to operate as a going concern, and adjustments would have to be made to reclassify the Target Group's non-current assets and non-current liabilities as current assets and current liabilities respectively, and to write down the carrying values of the Target Group's assets to their recoverable amounts. The effects of these adjustments have not been reflected in the consolidated financial statements. In view of the significance of the extent of the uncertainties relating to the continuous financial support to the Target Group, we disclaim our opinion in respect of the year ended 31 March 2020.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GEM OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

ADJUSTMENTS

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on pages I - 3 have been made.

DIVIDENDS

We refer to note 14 to the Historical Financial Information which states that no dividends have been declared and paid by the Target Company or its subsidiaries in respect of the Track Record Period.

NO HISTORICAL FINANCIAL INFORMATION FOR THE GROUP

No statutory financial statements have been prepared for the Target Company since its date of incorporation.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
10 September 2020

A. HISTORICAL FINANCIAL INFORMATION OF DOOF JAPAN GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Track Record Period, on which the Historical Financial Information is based, were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Japanese Yen ("JPY") and all values are rounded to the nearest thousand (JPY'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		
	Notes	**2018**	**2019**	**2020**
		JPY'000	*JPY'000*	*JPY'000*
Revenue	8	128,695	153,742	156,917
Cost of sales		(228,872)	(264,235)	(251,436)
Gross profit		(100,177)	(110,493)	(94,519)
Other income and gain	10	1,499	2,668	1,660
Impairment of goodwill	17	(245,918)	—	—
Transaction cost related to acquisition of a subsidiary		(281,480)	—	—
Administrative and other expenses		(57,183)	(88,698)	(97,733)
Loss before tax		(683,259)	(196,523)	(190,592)
Income tax credit	11	4,794	11,012	13,067
Loss and total comprehensive loss for the year	12	(678,465)	(185,511)	(177,525)
Attributable to the owner of the Target Company		(678,465)	(185,511)	(177,525)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		
	Notes	**2018**	**2019**	**2020**
		JPY'000	*JPY'000*	*JPY'000*
Non-current assets				
Property, plant and equipment	16	1,212,699	1,145,622	1,073,625
Goodwill	17	—	—	—
		1,212,699	1,145,622	1,073,625
Current assets				
Inventories	18	1,863	2,178	1,287
Trade and other receivables	19	18,590	12,906	14,546
Bank balances and cash	20	16,950	26,426	71,658
		37,403	41,510	87,491
Current liabilities				
Trade and other payables	21	10,853	28,632	32,468
Amount due to a shareholder	22	1,621,880	1,753,415	1,914,155
Income tax payable		15,761	—	—
		1,648,494	1,782,047	1,946,623
Net current liabilities		(1,611,091)	(1,740,537)	(1,859,132)
Total assets less current liabilities		(398,392)	(594,915)	(785,507)
Non-current liability				
Deferred tax liability	23	270,073	259,061	245,994
Net liabilities		(668,465)	(853,976)	(1,031,501)
Capital and reserve				
Share capital	25	10,000	10,000	10,000
Accumulated losses		(678,465)	(863,976)	(1,041,501)
		(668,465)	(853,976)	(1,031,501)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Accumulated losses	Total
	JPY'000	*JPY'000*	*JPY'000*
At 1 April 2017	10,000	—	10,000
Loss for the year	—	(678,465)	(678,465)
At 31 March 2018 and 1 April 2018	10,000	(678,465)	(668,465)
Loss for the year	—	(185,511)	(185,511)
At 31 March 2019 and 1 April 2019	10,000	(863,976)	(853,976)
Loss for the year	—	(177,525)	(177,525)
At 31 March 2020	10,000	(1,041,501)	(1,031,501)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
OPERATING ACTIVITIES			
Loss before tax	(683,259)	(196,523)	(190,592)
Adjustments for:			
Depreciation of property, plant and equipment	78,517	80,138	72,605
Government subsidy	(101)	(102)	(93)
Bank interest income	(1)	(1)	(1)
Gain on disposal of property, plant and equipment	—	—	(152)
Impairment of goodwill	245,918	—	—
Transaction cost related to acquisition of a subsidiary	281,480	—	—
Operating cash flows before movements in working capital	(77,446)	(116,488)	(118,233)
Decrease (increase) in inventories	593	(315)	891
Decrease (increase) in trade and other receivables	8,593	5,684	(1,640)
(Decrease) increase in trade and other payables	(1,077)	17,779	3,836
Cash used in operations	(69,337)	(93,340)	(115,146)
Income tax paid	—	(15,761)	—
NET CASH USED IN OPERATING ACTIVITIES	(69,337)	(109,101)	(115,146)
INVESTING ACTIVITIES			
Interest received	1	1	1
Net cash outflow from acquisition of a subsidiary	(1,190,071)	—	—
Transaction cost related to acquisition of a subsidiary	(281,480)	—	—
Acquisition of property, plant and equipment	(64,244)	(13,061)	(687)
Proceed from disposal of property, plant and equipment	—	—	231
NET CASH USED IN INVESTING ACTIVITIES	(1,535,794)	(13,060)	(455)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
FINANCING ACTIVITIES			
Advances from a shareholder	1,621,880	131,535	160,740
Government subsidy received	101	102	93
CASH FROM A FINANCING ACTIVITIES	1,621,981	131,637	160,833
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,850	9,476	45,232
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	100	16,950	26,426
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	16,950	26,426	71,658

1. CORPORATE INFORMATION

The Target Company was incorporated in Japan with limited liability on 12 January 2017. The address of its registered office and its principal place of business 2361-1, Yoichi Cho, Yoichi Gun, Hokkaido, Japan. The sole shareholder of the Target Company is Mr. Hu Xing Rong (Mr. Hu").

The Target Company is an investment holding company while the Target Group is mainly engaged in hotel operation business in Hokkaido, Japan. Particulars of the subsidiaries of the Target Company have been set out in note 15.

The functional currency of the Target Company is Japanese Yen ("JPY") which is also the presentation currency of the Historical Financial Information.

2. BASIS OF PREPARATION

In preparing the Historical Financial Information, the director of the Target Company has given careful consideration to the future liquidity of the Target Group in light of the Target Group's net current liabilities of approximately JPY1,859,132,000 and net liabilities of approximately JPY1,031,501,000 as at 31 March 2020 as well as a loss incurred of approximately JPY177,525,000 for the year ended 31 March 2020.

In view of the above, the director of the Target Company has reviewed the Target Group's cash flow projections prepared by management covering a period of twelve months from 31 March 2020 which have taken into account the continuous financial support from the sole shareholder of the Target Company. In the opinion of the director of the Target Company, the Target Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 31 March 2020. Accordingly, the director of the Target Company is satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position as at 31 March 2020. In addition, the Target Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Target Group has adopted all applicable new and revised HKFRS to the Track Record Period.

New and revised HKFRSs issued but not yet effective

The HKICPA has issued the following new standards, amendments and interpretation to existing standards which are not yet effective for accounting period beginning on 1 April 2020 and have not been early adopted:

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[6]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKAS 16	Propery, Plant and Equipment — Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning 1 January 2020

2 Effective for annual periods beginning 1 January 2021

3 Effective for annual periods beginning 1 January 2022

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

5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

6 Effective for annual periods beginning on or after 1 June 2020

The director of the Target Company anticipates that the application of the new and revised HKFRSs that had been issued but not yet effective will have no material impact on the results and the financial position of the Target Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which conform with HKFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurements are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial information of the entities controlled by the Target Company.

Control is achieved where the Target Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statements of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Target Company. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 Income Taxes;

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the Target Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Target Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Target Group uses a 5-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Target Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract assets and contract liabilities

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 Financial Instruments. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration from the customer. A contract liability would also be recognised if the Target Group has an unconditional right to receive consideration before the Target Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Target Group recognised revenue from the following major sources:

Hotel and golf club operations

Hotel room revenue, other ancillary services and income from golf club operation are recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs.

Income from food and beverage is recognised at a point in time when the food and beverage are served.

Sale of goods

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer takes possession of and accepts the goods. Revenue excludes consumption tax or other sales taxes.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Target Group's performance in transferring control of goods or services.

Leasing

Definition of a lease

Under HKFRS 16 Leases, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Target Group as lessor

The Target Group enters into lease agreements as a lessor with respect to some of its buildings. Leases for which the Target Group is a lessor are classified as operating leases.

When a contract includes both lease and non-lease components, the Target Group applies HKFRS 15 Revenue from Contracts with Customers to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Retirement benefits cost

Payments to the state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short term employee benefits

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except when the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Freehold land is stated at cost less accumulated impairment losses. No depreciation is provided for freehold land.

Property, plant and equipment including buildings held for use in the supply of goods or services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand and short-term bank deposits with a maturity of three months or less.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at amortised cost.

Financial assets at amortised cost

The Target Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and included in the "Other income and gain" line item (note 10).

Impairment of financial assets

The Target Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

The Target Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Target Group measures the loss allowance equal to 12-month ECL unless when there has a significant increase in credit risk since initial recognition, the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the end of each reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

1. an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

2. significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time of the extent to which the fair value of a financial asset has been less than its amortised cost;

3. existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

4. an actual or expected significant deterioration in the operating results of the debtor; and

5. an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Target Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. the Target Group considers a financial asset to have low credit risk when it has an external credit rating of 'investment grade' as per globally understood definitions.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Irrespective of the above analysis, the Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g.

when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of each reporting period.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at the original effective interest rate.

If the Target Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Target Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used. the Target Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 4, the director of the Target Company is required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying the accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the director of the Company has made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern consideration

The assessment of the going concern assumption involves making judgements by the director of the Company, at a particular point of time, about the future outcome of events and conditions which are inherently uncertain. The director of the Target Company believes that the liquidity of the Target Group can be maintained in the coming twelve-month period from 31 March 2020 after taking into the considerations as detailed in note 2. The director of the Target Company also believes that the Target Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 31 March 2020.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimates based on experience about the economic useful lives of the assets and by making reference to market prices of similar assets. the Target Group assesses annual residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

At as 31 March 2018, 2019 and 2020, the carrying amounts of property, plant and equipment are JPY1,212,699,000, JPY1,145,622,000 and JPY1,073,625,000 respectively.

Estimated impairment of property, plant and equipment

At the end of the reporting period, the management of the Target Group reviews the carrying amounts of the property, plant and equipment and identified if there is any indication for possible impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In assessing whether there is any indication of possible impairment for property, plant and equipment, the Target Group has considered the recoverable amounts with reference to the valuation performed by independent valuer. During the year ended 31 March 2018, 2019 and 2020 no impairment loss on property, plant and equipment was recognised by the Target Group.

Estimated impairment of trade and other receivables

The impairment provisions for trade and other receivables are based on assumptions about ECL. the Target Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Target Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. The ECL are assessed collectively using a provision matrix with appropriate groupings and/or individually. As at 31 March 2018, 2019 and 2020, the carrying amount of trade and other receivables were approximately JPY18,256,000, JPY12,670,000 and JPY14,200,000 respectively.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of recoverable amount of each cash-generating unit to which the goodwill is allocated, which is determined by higher of fair value less costs of disposal or value in use. As at 31 March 2018, 2019 and 2020, the carrying amount of goowill is nil. During the year ended 31 March 2018, 2019 and 2020, impairment loss on goodwill of approximately JPY245,918,000, nil and nil was recogised respectively by the Target Group. Details of the recoverable amount calculation are disclosed in note 17.

6. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities within the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. the Target Group's overall strategy remained unchanged during the Track Record Period.

The capital structure of the Target Group consists of amount due to a shareholder, bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The director of the Target Company reviews the capital structure of the Target Group periodically. As part of this review, the director of the Target Company considers the cost of capital and risks associated with each class of capital. Based on recommendations of the director of the Target Company, the Target Group will balance its overall capital structure through new share issues. The director of the Target Company will also consider the raise of additional borrowings as additional capital.

The director of the Target Company also endeavors to ensure the steady and reliable cash flows from the normal business operation.

7. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

		31 March	
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
The Target Group			
Financial assets			
Financial assets at amortised cost	27,187	39,096	85,858
Financial liabilities			
Financial liabilities at amortised cost	1,631,068	1,772,911	1,940,852

b) **Financial risk management objectives and policies**

The Target Group's major financial instruments include trade and other receivables, trade and other payables, amount due to a shareholder and bank balances and cash.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 20). The Target Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

As all the Target Group's bank balances were short-term in nature, any change in the interest rate from time to time is not considered to have significant impact to the Target Group's performance.

Credit risk

As at the end of each reporting period, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets, as stated in the consolidated statements of financial position.

The credit risk of the Target Group mainly arises from bank balances and trade and other receivables. The carrying amounts of these balances represent the Target Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Target Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the director of the Target Company considers that the Target Group's credit risk is significantly reduced.

For trade receivables, the Target Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the director of the Target Company considers that the Target Group's credit risk is significantly reduced.

For other non-traded related receivables, the Target Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Target Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Target Group's exposure to credit risk

In order to minimise credit risk, the Target Group has tasked its operation management committee to develop and maintain the Target Group's credit risk grading to categorise exposures according to their degree of risk of default. The operation management committee uses publicly available financial information and the Target Group's own trading records to rate its major customers and other debtors. the Target Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Target Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising ECL**
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL - not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL - credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Target Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Target Group's financial assets as well as the Target Group's maximum exposure to credit risk.

	Internal credit rating	12-month or lifetime ECL	31 March 2018 Gross carrying amount	31 March 2018 Net carrying amount	31 March 2019 Gross carrying amount	31 March 2019 Net carrying amount	31 March 2020 Gross carrying amount	31 March 2020 Net carrying amount
			JPY'000	*JPY'000*				
Trade receivables	Note	Lifetime ECL	651	651	1,846	1,846	7,330	7,330
Other receivables	Performing	12-month ECL	9,586	9,586	10,824	10,824	6,870	6,870

Note: The Target Group has applied simplidied approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

In respect of cash and cash equivalents, the Target Group will place its cash at banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

The Target Group's concentration of credit risk by geographical location is mainly in Japan.

Liquidity risk

The Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of amount due to a shareholder.

The Target Group is exposed to liquidity risk as the Target Group's current liabilities exceeded its current assets by approximately JPY1,859,132,000 and net liabilities of approximately JPY1,031,501,000 as at 31 March 2020 as well as incurred a loss of approximately JPY117,525,000 for the year ended 31 March 2020. The director of the Target Company is of the opinion that the Target Group will have sufficient working capital to meet its financial obligations and the details of which are set out in note 2.

The financial liabilities of the Target Group as at 31 March 2018, 2019 and 2020 are payable on demand or within one year and the undiscounted cash flows are same as the carrying amount.

c) **Fair values**

The director of the Target Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

8. REVENUE

The Target Group are engaged in hotel operation business in Hokkaido, Japan. Revenue represents the consideration expected to be received in respect of the transfer of goods and services and all the sales are conducted in Japan.

	2018	2019	2020
	JPY'000	*JPY'000*	*JPY'000*
Revenue from contract with customers within the scope of HKFRS 15:			
- Hotel room	16,567	24,565	28,481
- Food and beverage	36,884	41,732	38,816
- Golf club operation	72,216	84,236	86,270
- Others	3,028	3,209	3,350
	128,695	153,742	156,917

Disaggregation of revenue from contracts with customers by timing of recognition

	2018	2019	2020
	JPY'000	*JPY'000*	*JPY'000*
Timing of revenue recognition			
At a point in time	42,888	47,344	43,786
Over time	85,807	106,398	113,131
	128,695	153,742	156,917

The revenue from contracts with customers recognised over time amounted to approximately JPY85,807,000, JPY106,398,000 and JPY113,131,000 for the year ended 31 March 2018, 2019 and 2020 respectively mainly consists of hotel room revenue and income from golf club operation.

9. SEGMENT INFORMATION

The Target Group's operating activities are solely derived from the operation of hotel operation business in Japan. The Target Group's chief operating decision maker ("CODM") reviews the overall results of financial position of the Group as a whole prepared based on the same accounting policies. Accordingly, the Target Group has only one single operating segment and no further analysis of this single segment is presented.

(a) Information about major customers

None of the Target Group's customers contributed 10% or more of the Target Group's total revenue during the Track Record Period.

(b) **Geographical information**

The Target Company is domiciled in Japan. As all the Target Group's revenue from external customers are derived from and all of the Target Group's non-current assets are located in Japan, hence no information of the Target Group's revenue and non-current assets by geographical location is presented.

10. OTHER INCOME AND GAIN

	Year ended 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Bank interest income	1	1	1
Rental income *	862	936	1,317
Gain on disposal of property, plant and equipment	—	—	152
Government subsidy	101	102	93
Others	535	1,629	97
	1,499	2,668	1,660

* No material outgoings had been incurred for the rental income.

11. INCOME TAX CREDIT

	Year ended 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Current tax:			
Japan Enterprise Income Tax	—	—	—
Deferred tax credit (Note 23)	4,794	11,012	13,067
	4,794	11,012	13,067

Under the Law of the Japan on Enterprise Income Tax ("EIT") and implementation regulation of the EIT Law, the tax rate of the entities established in Japan is approximately 34% during the Track Record Period.

No provision for EIT was made in the Historical Financial Information as the Target Group did not have any assessable profits during the Track Records Period.

The income tax expenses for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Loss before tax	(683,259)	(196,523)	(190,592)
Tax at the domestic income tax rate	(232,972)	(67,008)	(64,986)
Tax effect of expenses not deductible for tax purpose	181,384	2,381	241
Tax effect of unrecognised tax loss	46,794	53,615	51,678
Income tax credit	(4,794)	(11,012)	(13,067)

Details of the deferred tax are set out in note 23.

12. LOSS FOR THE YEAR

	Year ended 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Loss for the year has been arrived at after charging:			
Directors' emoluments (note 13)	—	7,609	22,321
Salaries, allowances and other benefits (including directors' emoluments)	78,173	110,144	109,933
Contributions to retirement benefits scheme (including directors' emoluments)	13,449	13,902	16,484
Total staff costs	91,622	124,046	126,417
Depreciation of property, plant and equipment	78,517	80,138	72,605
Cost of inventories recognised as an expense	19,039	22,840	22,690

13. DIRECTORS' EMOLUMENTS

Details of directors' emoluments are as follows:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Target Company or its subsidiaries undertaking:	**Fees**	**Contributions to retirement benefits scheme**	**Total**
	JPY'000	*JPY'000*	*JPY'000*
Year ended 31 March 2018			
Mr. Hu Xing Rong	—	—	—
Year ended 31 March 2019			
Mr. Hu Xing Rong	7,400	209	7,609
Year ended 31 March 2020			
Mr. Hu Xing Rong	21,000	1,321	22,321

The remuneration represents remuneration received from the Target Group by the director of the Target Company in his capacity as a director of the Target Company or subsidiaries during the Track Record Period.

No chief executive was appointed during the Track Record Period.

No director of the Target Company waived or agreed to waive any emolument paid by the Target Group during the Track Record Period. No emoluments were paid by the Target Group to the director of the Target Company as an inducement for joining the Target Group or as compensation for loss of office during the Track Record Period.

14. DIVIDEND

No dividend was paid or proposed by the Target Company or its subsidiaries during Track Record Period, nor has any dividend been proposed since the end of the reporting period.

15. SUBSIDIARIES OF DOOF JAPAN GROUP

				Equity interest held				
				31 March				
Name of subsidiaries	**Place and date of incorporation/ establishment**	**Place of operation**	**Issued and fully paid share capital**	**2018**	**2019**	**2020**	**At the date of this report**	**Principal activities**
Directly held								
余市カントリー株式会社 (Yoichi Country*)	Japan 24 March 2003	Japan	JPY310,000,000	100%	100%	100%	100%	Operation of hotel
東京多弗合同会社 (Tokyo Doof*)	Japan 27 August 2019	Japan	JPY8,000,000	N/A	N/A	99.9%	99.9%	Investment holding
Indirectly held								
一木興業合同会社 (Ichiki Kogyo*)	Japan 27 August 2019	Japan	JPY8,000,000	N/A	N/A	99.9%	99.9%	Investment holding

No audited financial statements have been prepared for all the subsidiaries since their respective date of incorporation as there is no statutory audit requirements under the relevant rules and regulations in Japan.

* *The English name is for identification purpose only*

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Land improvements	Buildings & structure	Equipment & machinery	Motor vehicles	Total
	JPY'000	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*	*JPY'000*
COST						
At 1 April 2017	—	—	—	—	—	—
Acquisition of a subsidiary	165,000	665,000	390,546	4,460	1,966	1,226,972
Additions	—	—	11,679	25,988	26,577	64,244
At 31 March 2018	165,000	665,000	402,225	30,448	28,543	1,291,216
Additions	—	—	9,598	3,463	—	13,061
At 31 March 2019	165,000	665,000	411,823	33,911	28,543	1,304,277
Additions	—	—	580	107	—	687
Disposals	—	—	(276)	—	(600)	(876)
At 31 March 2020	165,000	665,000	412,127	34,018	27,943	1,304,088
ACCUMULATED DEPRECIATION						
At 1 April 2017	—	—	—	—	—	—
Charge for the year	—	37,867	23,449	6,325	10,876	78,517
At 31 March 2018	—	37,867	23,449	6,325	10,876	78,517
Charge for the year	—	39,118	24,762	7,726	8,532	80,138
At 31 March 2019	—	76,985	48,211	14,051	19,408	158,655
Charge for the year	—	39,118	24,344	5,447	3,696	72,605
Eliminated on disposal	—	—	(276)	—	(521)	(797)
At 31 March 2020	—	116,103	72,279	19,498	22,583	230,463
CARRYING AMOUNTS						
At 31 March 2018	165,000	627,133	378,776	24,123	17,667	1,212,699
At 31 March 2019	165,000	588,015	363,612	19,860	9,135	1,145,622
At 31 March 2020	165,000	548,897	339,848	14,520	5,360	1,073,625

The above items of property, plant and equipment are depreciated on a straight line method over their estimated useful lives at the following rates per annum, taking account into their estimated residual values as follows:

Land improvements	4% - 6.67%
Buildings & structure	2.5% - 10%
Equipment & machinery	20% - 40%
Motor vehicles	20% - 25%

17. GOODWILL

		31 March	
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
COST			
At 1 April	—	245,918	245,918
Arising on acquisition of a subsidiary	245,918	—	—
At 31 March	245,918	245,918	245,918
IMPAIRMENT			
At 1 April	—	245,918	245,918
Impairment loss recognised in profit or loss	245,918	—	—
At 31 March	245,918	245,918	245,918
CARRYING AMOUNTS			
At 31 March	—	—	—

For the purposes of impairment testing, goodwill as set out above has been allocated to one individual cash-generating unit, comprising one subsidiary, Yoichi Country, engaged in hotel operation.

Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the net identifiable assets acquired. On the date of acquisition, the recoverable amount of this unit has been determined based on a fair value less cost of disposal of approximately JPY958,782,000 with reference to a valuation performed by an independent valuer. The fair value measurement of Yoichi Country is categorised within level 3 of the fair value hierarchy. As such, management considered that the goodwill so arising should be impaired and hence goodwill of JPY245,918,000 was impaired upon acquisition.

18. INVENTORIES

	31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Inventories	1,863	2,178	1,287

19. TRADE AND OTHER RECEIVABLES

	31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Trade receivables	651	1,846	7,330
Prepayments	334	236	346
Other receivables	17,605	10,824	6,870
	18,590	12,906	14,546

The Target Group allows credit period of 0 to 30 days to its trade customers. The Target Group does not hold any collateral over its trade receivables. In determining the recoverability of trade receivables, the Target Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

The Target Group does not hold any collateral over its trade and other receivables.

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

	31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Within 30 days	328	1,125	2,020
31 to 60 days	323	721	5,310
Total	651	1,846	7,330

The Target Group applies the simplified approach to recognise ECL on trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics by reference to past default and current past due exposure of the debtors, and analysis of the debtor's current financial position. The Target Group considers the historical loss rate in the past, and incorporates forward looking macroeconomic data in calculating the ECL ratio. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed individually for credit impaired debtors and collectively for not credit-impaired debtors based on provision matrix:

All of the trade receivables as at 31 March 2018, 2019 and 2020 arose from contracts with customers.

The table below details the credit risk exposure of the trade receivables:

	Description	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
		JPY'000	*JPY'000*	*JPY'000*
At 31 March 2018				
Trade receivables	Lifetime ECL (not credit impaired)	651	—	651
At 31 March 2019				
Trade receivables	Lifetime ECL (not credit impaired)	1,846	—	1,846
At 31 March 2020				
Trade receivables	Lifetime ECL (not credit impaired)	7,330	—	7,330

At 31 March 2018	**Average loss rate**	**Gross carrying amount**	**Impairment loss allowance**
	%	*JPY'000*	*JPY'000*
Not credit-impaired:			
Not yet past due	*	328	—
0 - 30 days past due	*	323	—
		651	—

At 31 March 2019	**Average loss rate**	**Gross carrying amount**	**Impairment loss allowance**
	%	*JPY'000*	*JPY'000*
Not credit-impaired:			
Not yet past due	*	1,125	—
0 - 30 days past due	*	721	—
		1,846	—

At 31 March 2020	**Average loss rate**	**Gross carrying amount**	**Impairment loss allowance**
	%	*JPY'000*	*JPY'000*
Not credit-impaired:			
Not yet past due	*	2,020	—
0 - 30 days past due	*	5,310	—
		7,330	—

* The weighted average expected loss rate is immaterial.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

For the purpose of internal credit risk management of other receivables, the Target Group uses past due information to access whether creit risk has increased significantly since initial recognition. As at 31 March 2018, 2019 and 2020, other receivables has been no significant increase in credit risk since initial recognition. No loss allowance was made during the years ended 31 March 2018, 2019 and 2020 as 12-month ECL is insignificant.

20. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market rates throughout the Track Record Period.

21. TRADE AND OTHER PAYABLES

	31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Trade payables	760	1,126	35
Other payables	10,093	27,506	32,433
	10,853	28,632	32,468

The following is an aged analysis of trade payables presented based on invoice dates at the end of the reporting periods.

	31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Within 90 days	140	460	35
91 to 180 days	—	666	—
181 to 365 days	—	—	—
Over 1 year	620	—	—
Total	760	1,126	35

The credit period granted is ranging from 0 to 90 days. the Target Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

22. AMOUNT DUE TO A SHAREHODLER

The amount is unsecured, non-interest bearing and repayable on demand.

23. DEFERRED TAX LIABILITY

The following is the deferred tax liability recognised and movements thereon during the Track Record Period:

	Fair value adjustment of property, plant and equipment
	JPY'000
At 1 April 2017	—
Acquisition of subsidiary	274,867
Credit to profit or loss	(4,794)
At 31 March 2018 and 1 April 2018	270,073
Credit to profit or loss	(11,012)
At 31 March 2019 and 1 April 2019	259,061
Credit to profit or loss	(13,067)
At 31 March 2020	245,994

At 31 March 2018, 2019 and 2020, the Group has estimated unused tax losses of approximately JPY176,075,000, JPY333,317,000 and JPY484,880.000 available for offsetting against future profits. No deferred income tax asset has been recognised in respect of the unused tax losses due to unpredictability of future profit streams. Tax losses of approximately JPY176,080,000, JPY333,317,000 and JPY484,872,000 will be expired in ten years after the relevant accounting year end date.

24. ACQUISITION OF A SUBSIDIARY

On 10 May 2017, the Target Company acquired 100% of the issued share capital of Yoichi Country for a cash consideration of JPY1,200,000,000 from an independent third party. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was JPY245,918,000. Yoichi Country is engaged in the operation of hotel in Hokkaido, Japan. Yoichi Country was acquired for the expansion of the Target Company's operation.

Consideration transferred

	JPY'000
Cash consideration	1,200,000

Acquisition-related costs amounting to JPY281,480,000 have been excluded from the consideration transferred and have been recognised as an expense and included in administrative and other expenses in the consolidated statement of profit or loss for the year ended 31 March 2018.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	JPY'000
Property, plant and equipment	1,226,972
Inventories	2,456
Trade and other receivables	17,283
Bank balances and cash	9,929
Trade and other payables	(11,930)
Income tax payable	(15,761)
Deferred tax liability	(274,867)
	954,082

The fair value of trade and other receivables at the date of acquisition amounted to approximately JPY17,283,000 which approximated to their gross contractual amounts at the date of acquisition.

Goodwill arising on acquisition:

	JPY'000
Consideration transferred	1,200,000
Less: net assets acquired	(954,082)
	245,918

Goodwill arose from the acquisition of Yoichi Country because the cost of the combination included premium paid for future business development potential. Such benefit is not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible asset.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes. Impairment of goodwill of approximately JPY245,918,000 had been recognised upon completion of an acquisition. Details of impairment of goodwill are set out in note 17.

	JPY'000
Cash consideration paid	1,200,000
Less: cash and cash equivalent balances acquired	(9,929)
	1,190,071

Included in the loss for the year ended 31 March 2018 is JPY151,067,000 (excluding impairment of goodwill of JPY245,918,000) attributable to the additional business generated by Yoichi Country. All the revenue for the year ended 31 March 2018 was generated from the Target Company.

Had the acquisition been completed on 1 April 2017, total group revenue for the year ended 31 March 2018 would have been approximately JPY148,773,000, and loss for the year ended 31 March 2018 would have been approximately JPY689,860,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2017, nor is it intended to be a projection of future results.

25. SHARE CAPITAL

The share capital as at 31 March 2018, 2019 and 2020 represented the share capital of the Target Company.

	Number of shares	Share capital
		JPY'000
Authorised, issued and paid		
At 1 April 2017, 31 March 2018, 31 March 2019 and 31 March 2020	1,000	10,000

26. RETIREMENT BENEFITS PLAN

As stipulated by rules and regulations in Japan, subsidiaries in Japan are required to contribute a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees, subject to a certain ceiling. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Target Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the years ended 31 March 2018, 2019 and 2020, the total contribution to defined contribution retirement benefits scheme charged to the consolidated statements of profit or loss and other comprehensive income amounted to approximately JPY13,449,000, JPY13,902,000 and JPY16,484,000 respectively.

27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Target Group had the following material related party transactions:

(a) Compensation of key management personnel

The key management personnel are the director of the Target Company and a senior management of the Target Group. Details of the remuneration paid were as follows:

	Year ended 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Short-term benefits	6,091	16,523	29,768
Post-employment benefits	804	1,446	2,398
	6,895	17,969	32,166

The remuneration of key management personnel is determined having regard to the performance of the individuals and market trends.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statements of cash flows as cash flows from financing activities.

	Amount due to a shareholder
	JPY'000
As at 1 April 2017	—
Financing cash flows	1,621,880
As at 31 March 2018	1,621,880
Financing cash flows	131,535
As at 31 March 2019	1,753,415
Financing cash flows	160,740
As at 31 March 2020	1,914,155

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group, the Target Company or any of its subsidiaries in respect of any period subsequent to 31 March 2020.

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 March 2018, 31 March 2019 and 31 March 2020.

Unless stated otherwise, terms used herein shall have the same meanings as those defined in the circular.

BUSINESS AND FINANCIAL REVIEW

As at the Latest Practicable Date, the Target Group comprises Doof Japan, Yoichi Country, Tokyo Doof and Ichiki Kogyo. Doof Japan is a company incorporated in Japan with limited liability and is an investment holding company. Doof Japan has a wholly-owned major operating subsidiary, namely Yoichi Country. Yoichi Country is a company incorporated in Japan with limited liability and is principally engaged in hotel management and golf course business. Yoichi Country holds the entire interest in the Target Property. Both Tokyo Doof and Ichiki Kogyo are companies incorporated in Japan with limited liability. As a result of the ongoing COVID-19 pandemic, in order to reduce operating costs and expenses, both Tokyo Doof and Ichiki Kogyo have become dormant companies since 9 April 2020.

Upon the Completion, the Group will be interested in the entire issued shares of Doof Japan, and the Target Group will become subsidiaries of the Company, whose results, assets and liabilities will be consolidated into the accounts of the Group.

Set our below is the financial performance of the Target Group for the three years ended 31 March 2020 as extracted from the accountants report as set out in Appendix II to this circular.

	Year ended 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Revenue	128,695	153,742	156,917
Gross profit	(100,177)	(110,493)	(94,519)
Loss before tax	(683,259)	(196,523)	(190,592)
Loss and total comprehensive loss for the year	(678,465)	(185,511)	(177,525)

Revenue

The Target Group's revenue mainly represented income generated from the hotel and golf club operations. The Target Group recorded revenue of approximately JPY128.7 million, JPY153.7 million and JPY156.9 million for the year ended 31 March 2018, 2019 and 2020. The revenue of the Target Group increased from approximately JPY128.7 million for the year ended 31 March 2018 ("**FY2018**") to JPY153.7 million for the year ended 31 March 2019 ("**FY2019**"), representing an increase of approximately 19.5%. Such significant increase was mainly because the Target Group recorded full year results for FY2019, whereas the Target Group only recorded ten months results for FY2018 as the acquisition of Yoichi Country by Doof Japan was completed in May 2017. The revenue of the Target Group increased slightly from JPY153.7 million for FY2019 to JPY156.9 million for the year ended 31 March 2020 ("**FY2020**"), representing an increase of approximately 2.1%. Such increase was mainly due to the increase in revenue from hotel rooms and golf club operation.

Gross profit

The Target Group recorded gross loss of approximately JPY100.2 million, JPY110.5 million and JPY94.5 million for FY2018, FY2019 and FY2020, respectively. The gross loss for FY2020 decreased by approximately 14.48% as compared to FY2019. Such decrease was mainly due to the increase in revenue from hotel rooms and golf club operation, as well as the decrease in cost of sales. The increase in revenue was mainly due to the increase in the occupancy rate of the hotel and the increase in the number of visitors of the golf club as well as the increase in the number of days of opening the golf club, which resulted from the marketing and promotional efforts done by the Target Group for FY2020. The decrease in costs of sales was mainly due to decrease in staff costs, depreciation and amortisation. The occupancy rate of the hotel for FY2018, FY2019 and FY2020 was approximately 13.2%, 17.3% and 18.2%, respectively. The utilisation rate of the golf courses for FY2018, FY2019 and FY2020 was approximately 50.4%, 52.6% and 52.2%, respectively.

Loss and total comprehensive loss for the year

The Target Group recorded net loss of approximately JPY678.5 million, JPY185.5 million and JPY177.5 million for FY2018, FY2019 and FY2020, respectively. The net loss for FY2018, representing 3.7 times of that for FY2019, was principally resulted from the impairment of goodwill of approximately JPY245.9 million in FY2018, and the transaction costs of approximately JPY281.5 million incurred when Doof Japan acquired Yoichi Country in 2017. The net loss for FY2020 decreased slightly by approximately 4.3% as compared to that of FY2019. Such decrease was mainly as a result of the decrease in gross loss as mentioned above.

The goodwill mainly arose from the recognition of deferred tax liability of approximately JPY275.0 million. The consideration for the acquisition of Yoichi Country in 2017 approximated to the fair value of the property, plant and equipment at the time of the acquisition. From the accounting perspective, when there is an appreciation in the value of the property, plant and equipment, a deferred tax liability is required to be recognised. In this case, deferred tax of approximately JPY275.0 million was recognised as such revaluation gain is taxable under the applicable Japanese regulations.

At the end of each reporting period, an assessment of the goodwill impairment is performed. As the recoverable amount is lower than the carrying amount, the goodwill was impaired in 2018.

LIQUDITY AND FINANCIAL RESOURCES

Set out below is the consolidated financial position of the Target Group as at 31 March 2018, 2019 and 2020 as extracted from the accountants report as set out in Appendix II to this circular.

	As at 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Non-current assets	1,212,699	1,145,622	1,073,625
Current assets	37,403	41,510	87,491
Total assets	1,250,102	1,187,132	1,161,116
Current liabilities	1,648,494	1,782,047	1,946,623
Non-current liabilities	270,073	259,061	245,994
Total liabilities	1,918,567	2,041,108	2,192,617
Net current liabilities	(1,611,091)	(1,740,537)	(1,859,132)
Net liabilities	(668,465)	(853,976)	(1,031,501)

As at 31 March 2018, 2019 and 2020, the Target Group recorded net current liabilities of approximately JPY1,611.1 million, JPY1,740.5 million and JPY1,859.1 million respectively, and net liabilities of approximately JPY668.5 million, JPY854.0 million and JPY 1,031.5 million respectively. The Target Group had no third-party borrowings as at 31 March 2018, 2019 and 2020. The bank balances and cash as at 31 March 2018, 2019 and 2020 was JPY17.0 million, JPY26.4 million and JPY71.7 million. The net current liabilities and net liabilities of the Target Group were primarily attributable to the amount due to a shareholder of JPY1,621.9 million, JPY1,753.4 million and JPY1,914.2 million as at 31 March 2018, 2019 and 2020, of which JPY1,914.2 million will be acquired by the Purchaser under the Acquisition Agreement.

Trade receivables

The Target Group allows credit period of 0 to 30 days to its trade customers, which are mainly travel agencies and electronic payment companies.

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

	As at 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Within 30 days	328	1,125	2,020
31 to 60 days	323	721	5,310
Total	651	1,846	7,330

The outbreak of COVID-19 brought significant challenges to certain business partners of the Target Group due to the entry ban imposed by the Japanese government, therefore, the Target Group has agreed to extend credit period to selected travel agencies. The Target Group has been liaising with these travel agencies for settlement of the outstanding balances as at 31 March 2020, and full settlement is expected to be received on agreed date.

Although majority of trade receivable balances aged 31 to 60 days as at 31 March 2020, the director of the Target Group do not expect any recoverability issue on the trade receivables, given most of them are ongoing business partners with proven repayment track record. As such, no impairment provision was made on the trade receivables which had exceeded the credit terms.

Trade and other payables

	As at 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Trade payables	760	1,126	35
Other payables	10,093	27,506	32,433
	10,853	28,632	32,468

Other payables

The other payables consisted primarily of (i) accruals such as staff costs and telecommunication and utilities expenses; (ii) other payables, including payable to transportation costs and the repair and maintenance costs; and (iii) other tax payables.

	As at 31 March		
	2018	**2019**	**2020**
	JPY'000	*JPY'000*	*JPY'000*
Accruals	4,929	8,861	4,521
PPE tax	—	4,390	3,293
Consumption tax payables	—	3,081	813
Salaries payable	3,932	8,456	16,482
Salaries tax	—	—	4,937
Others	1,232	2,718	2,387
	10,093	27,506	32,433

The trade payables with the above other payables are expected to fall due within the next twelve months from the reporting end.

The salaries payable of the Target Group increased from approximately JPY3.9 million for FY2018 to approximately JPY8.5 million for FY2019. Such increase was mainly due to the increase in salaries payable to the Vendor (being the director of Yoichi Country) and certain outstanding salaries and welfare payable were subsequently settled after the review conducted by the tax bureau. Such increase in salaries payables was not due to any dispute with employees. The salaries payable further increased to JPY16.5 million for FY2020 was mainly attributable to the increase in salaries payables to the Vendor (being the director of Yoichi Country) of approximately JPY13.1 million. Upon the Completion, the Vendor shall cease to be a management member of the Target Group. The outstanding salaries payable to the Vendor, which is not included in the Shareholder's Loan, is non-interest bearing and shall be settled by cash by the Company when the COVID-19 situation and business of the Target Group improves. As at Latest Practicable Date, there is no potential and outstanding dispute of material importance between the Target Group and its employees.

Gearing ratio

As the Target Group recorded negative total equity (i.e. net liabilities) at 31 March 2018, 2019 and 2020, the gearing ratio was not applicable.

Contingent liabilities

As at 31 March 2018, 2019 and 2020, the Target Group did not have significant contingent liabilities.

Capital commitment

As at 31 March 2018, 2019 and 2020, the Target Group did not have significant capital commitments.

Pledge of assets

As at 31 March 2018, 2019 and 2020, the Target Group did not pledge any of their assets.

Charge on assets

As at 31 March 2018, 2019 and 2020, the Target Group did not have any charges on assets.

Foreign exchange exposure

During FY2018, FY2019 and FY2020, the Target Group operated in Japan with most of their transactions denominated and settled in JPY. In this respect, there is no significant currency mismatch in their operational cashflows and the Target Group is not exposed to any significant foreign currency exchange risk in its operations. The Target Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities during FY2018, FY2019 and FY2020.

Material acquisition or disposal of subsidiary or associated company

During FY2018, Doof Japan acquired 100.0% equity interest of Yoichi Country. Apart from the above mentioned, there was neither material acquisition nor disposal of subsidiaries or associated company by the Target Group.

Significant investment held

During FY2018, FY2019 and FY2020, the Target Group did not hold any significant investments.

Employees and remuneration policies

As at 31 March 2018, 2019 and 2020, the total number of employees of the Target Group was approximately 26, 21 and 20, respectively. Staff costs for FY2018, FY2019 and FY2020 were approximately JPY91.6 million, JPY124.0 million and JPY126.4 million, respectively. The Target Group determines the remuneration of its employees with references to market rates and individual's qualifications, experience, skills, performance and contributions. The Target Group regularly reviews compensation and benefits policies as well as the individual performance of employees to ensure that the employees are fairly rewarded.

Future plan for material investments or capital assets

As at 31 March 2018, 2019 and 2020, the Target Group did not have any future plans for material investments or capital assets.

THE OUTBREAK OF COVID-19

The outbreak of COVID-19 has brought challenges to the hotel business. As part of the measures to contain the worldwide outbreak of COVID-19 in early 2020, Japan's borders are currently closed to travelers from move than 150 regions. On 7 April 2020, the Japanese government declared a state of emergency in Tokyo and six other prefectures, pursuant to which local authorities are empowered to carry out measures to halt the spread of COVID-19, including urging residents to stay at home except for essential activities and recommending the closures of businesses and facilities capable of hosting large-scale gatherings. With the dwindling numbers of new cases of COVID-19, in late May 2020, the Japan government lifted the state of emergency for all of Japan. Domestic flights have gradually resumed and domestic travel restrictions were mostly lifted in mid-June.

In order to provide support to the tourism industry and local economy, in July, the Japan government has launched a JPY1.7 trillion "Go to Travel" campaign to encourage domestic tourism and help hospitality operators. As part of the campaign, domestic travelers will be given 50% discounts and coupons of up to JPY20,000 per person per night for accommodation, shopping and eating at travel destinations within Japan, although Tokyo has been excluded due to the city's recent surge in COVID-19 cases. In addition to this campaign, the Japan government has also provided financial aids to hospitality operators. The Target Group has received subsidy of JPY2 million. Furthermore, the hotel will receive JPY5,000 subsidy for each local customer in Hokkaido for staying at the hotel.

Inevitably, the business of the Target Group has been adversely affected by the COVID-19 situation and travel restrictions, and the hotel has not fully opened from April to June 2020. Capitalizing on the campaigns launched by the local government, the Target Group will put its best endeavor to attract local customers in this difficult time.

The information set out in this Appendix does not form part of the Accountants' Report issued by SHINEWING (HK) CPA Limited, the Company's reporting accountants, as set out in "Appendix II — Financial information of the Target Group" and is included herein for information only. The unaudited pro forma financial information of the enlarged group should be read in conjunction with "Appendix I — Financial information of the Group" and "Appendix III — Management discussion and analysis of the Target Group".

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Basis of preparation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group

On 14 July 2020, the Group has entered into the Acquisition Agreement with the Purchaser and the Vendor, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the Sale Shares and the Shareholder's Loan.

This unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Acquisition on the basis of notes set out below for illustrating the effect of the Acquisition by the Company, as if the Acquisition had taken place on 31 March 2020 for the preparation of the unaudited pro forma consolidated statement of financial position.

The unaudited pro forma financial information is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 March 2020 or any future date.

The unaudited pro forma consolidated statement of financial position as at 31 March 2020 is prepared based on (i) the audited consolidated statement of financial position as at 31 March 2020 as extracted from the published annual report of the Company and (ii) the audited statement of financial position of the Target Group as at 31 March 2020 as extracted from the financial information of the Target Group set out in Appendix II to this circular after making pro forma adjustments to the Acquisition, as if the Acquisition had completed on 31 March 2020.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group 31.3.2020 Audited	Target Group 31.3.2020 Audited	Consideration	Adjustment Elimination of investment in subsidiary	Estimated costs	Enlarged Group 31.3.2020
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Investment properties under construction	1,750,181	—				1,750,181
Property, plant and equipment	720,724	76,689				797,413
Financial asset at fair value through profit or loss	8,100	—				8,100
Right of use assets	241,741	—				241,741
Intangible asset	1,019	—				1,019
Investment in subsidiaries	—	—	60,601	(60,601)	—	—
	2,721,765	76,689				2,798,454
Current assets						
Properties under development	466,064	—				466,064
Trade and other receivable	35,533	1,039				36,572
Inventories	—	92				92
Cash and bank balances	1,376,409	5,119				1,381,528
Amount due from a related company	2,071	—				2,071
	1,880,077	6,250				1,886,327
Current liabilities						
Trade and other payables	218,436	2,318			2,200	222,954
Amount due to related companies	1,151	—				1,151
Amount due to a shareholder	—	136,728		(136,728)		—
Bank and other borrowings	17,686	—				17,686
Income taxes payable	141,193	—				141,193
Lease liabilities	5,827	—				5,827
	384,293	139,046				388,813
Net current assets (liabilities)	1,495,784	(132,796)				1,497,514
Total assets less current liabilities	4,217,549	(56,107)				4,295,968
Non-current liabilities						
Deferred income tax liabilities	1,002	—				1,002
Promissory notes	980,195	—				980,195
Bank and other borrowings	2,139,670	—				2,139,670
Unsecured borrowings from a director	599,046	—				599,046
Lease liabilities	27,155	—				27,155
Deferred tax liabilities	—	17,571				17,571
	3,747,068	17,571				3,764,639
Net assets (liabilities)	470,481	(73,678)				531,328

Notes:

1. The amounts are extracted from the audited consolidated statement of financial position of the Company as at 31 March 2020 included in the annual report of the Company for the year ended 31 March 2020 dated 22 June 2020.

2. The amounts are extracted from the audited consolidated statement of financial position of the Target Group as at 31 March 2020 as set out in Appendix I to this circular and translated at JPY1 = HK$ 0.0714.

   No representation is made that any amounts in JPY can be or could have been converted to HK$ at the relevant date and period at the above rates or any other rates or at all.

3. The adjustment represented the consideration of the cost of investment in Doof Japan.

   On 14 July 2020, Decent Start Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Mr. Hu, who holds the entire equity interest in Doof Japan, to acquire the entire equity interest and shareholder's loan of JPY1,914.2 million in the Target Group for an aggregate consideration of approximately JPY848.4 million (equivalent to approximately HK$60.6 million. The consideration will be satisfied by the issue and allotment of 163,717,121 consideration shares of the Company of HK$0.1 each.

   The consideration will be determined using the unit share price of the Company at the date of completion. With a unit share price of HK$0.41 per consideration share, the total consideration will be HK$60.6 million. The amount of consideration upon actual completion may be different from the amount adopted in the Unaudited Pro Forma Financial Information.

4. The adjustment represented the elimination of the cost of investment of approximately HK$60.6 million in Doof Japan and the shareholder's loan acquired of approximately HK$136.7 million.

   Since the Company and Doof Japan are under common control of Mr Hu and that the control is not transitory, the acquisition of the Target Company had been accounted for in the Unaudited Pro Forma Financial Information of the Enlarged Group on the basis of business combination involving entities under common control under merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. will be adopted in the consolidated financial statements of the Company.

5. For the purpose of the preparation of the Pro Forma Financial Information of the Enlarged Group, estimated total transaction costs, including legal, accountancy and other professional services, amounted to HK$2.2 million were recognised as expenses of the Group.

6. The property, plant and equipment of the Target Group are assessed by an independent external valuer, Vigers Appraisal & Consulting Limited and noted that the recoverable value is higher than the carrying amount while the other assets were approximated to their fair value. Therefore, the directors of the Company considered no impairment is necessary.

The following is the text of a report from SHINEWING (HK) CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The Directors

Man Sang International Limited
Unit WF, 25th Floor,
Eight Commercial Tower,
8 Sun Yip Street,
Chai Wan, Hong Kong

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Man Sang International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company and 多弗株式会社 (the "Target Company") and its subsidiaries (collectively referred as the "Target Group") (the Group and the Target Group are hereafter collectively referred to as the "Enlarged Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma net asset statement of the Enlarged Group as at 31 March 2020 and related notes (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Appendix IV of the circular of the Company dated 10 September 2020 (the "Circular").

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed acquisition of entire equity interest in the Target Company (the "Proposed Acquisition") by the Company might have affected the financial position of the Group as at 31 March 2020 as if the Proposed Acquisition had taken place at 31 March 2020 . As part of this process, information about the Group's and the Target Group's financial position has been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 31 March 2020, on which annual report has been published, and the accountants' report on the Target Group included in Appendix II to this Circular, respectively.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of the Proposed Acquisition on the unadjusted financial position of the Group as if the Proposed Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
10 September 2020

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

27th Floor, Standard Chartered Tower
Millennium City 1
388 Kwun Tong Road
Kowloon
Hong Kong

10 September 2020

The Directors
Man Sang International Limited
Unit WF, 25th Floor
Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

Dear Sirs,

In accordance with the instructions of Man Sang International Limited (the "Company") for us to value the property interest held by 余市鄉村株式會社 (Yoichi Country Kabushiki Kaisha) ("Yoichi Country") in Japan, we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interest as at 22 June 2020 ("valuation date") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales. The approach is subject to adequate potential profitability of the business.

Our valuation has been made on the assumption that the owner sells the property interest on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interest. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interest at the relevant government bureau in Japan. We have been provided with certain extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest, we have relied on the legal opinion (the "Japan legal opinion") provided by the Company's Japan legal adviser, King & Wood Mallesons Law Offices.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the property are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interest is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Our valuation has been carried out in accordance with "RICS Valuation — Global Standards 2017" published by the RICS and "The HKIS Valuation Standards 2017" published by "The Hong Kong Institute of Surveyors" ("HKIS"), both of which incorporates the "International Valuation Standards" ("IVS") published by the "International Valuation Standards Council" ("IVSC") and the requirements set out in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Japanese Yen (JPY).

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
China Real Estate Appraiser
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over thirty one years' experiences in undertaking valuations of properties in Hong Kong SAR and has over twenty five years' experiences in valuations of properties in the PRC and Asia Pacific regions.

VALUATION CERTIFICATE

Property interest to be acquired by the Company in Japan

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 22 June 2020
A-Brand Hotel & Golf Club located at 2361-1, Yoichi Cho, Yoichi Gun, Hokkaido, Japan	The property is a hotel and golf club comprising a land parcel together with an 18-hole golf course, a golf clubhouse and hotel building, 10 villas and other ancillary buildings completed in between 1993 and 1994 thereon. The site area of the property is approximately 1,180,155.62 sq.m. and the gross floor area of the golf clubhouse and hotel building is approximately 6,440.51 sq.m. The total gross floor area of the 10 villas and other ancillary buildings is approximately 1,691.81 sq.m. The tenure of the property is freehold.	The property is occupied by Yoichi Country for hotel and golf course uses.	JPY1,034,000,000

Notes:

1. According to document provided by the Company, the ownership of the property is vested in the name of Yoichi Country Kabushiki Kaisha.

2. The Japan legal opinion states, inter alia, the following:

   (i) The ownership of the property is vested in Yoichi Country.

   (ii) The property is free from any mortgages, charges and encumbrances.

3. The property was inspected by Mr. Tam Siu Kee, Registered Professional Surveyor, on 5 November 2019.

4. In valuing the property, we have obtained the professional opinion from our local consultant, Urban Real Estate Appraisal Japan Co. Ltd., which is the member of the Japan Real Estate Appraisers Association and has extensive experience in valuing properties in Japan. We have relied to a considerable extent on information provided by Urban Real Estate Appraisal Japan Co. Ltd. on the land price and the construction costs of golf course and buildings in Japan.

Vigers Appraisal & Consulting Limited, an independent valuer, has valued the property interest held by the Target Group as at 22 June 2020 and is of the opinion that the market value of the property interest is amounted to JPY1,034,000,000 as at 22 June 2020. Details of the valuation of the property interest as at 22 June 2020 are set out in Appendix V to this circular.

Set forth below is the reconciliation of the valuation figure of the Target Group's properties with the figures included in the financial information of the Target Group as set out in Appendix II to this circular:

	JPY'000
Net book value of the property as set out in the Financial Information on the Target Group included in Appendix II	
— Freehold land	165,000
— Land improvements	548,897
— Buildings & structure	339,848
	1,053,745
Movement for the period from 31 March 2020 to 22 June 2020 (unaudited)	
Depreciation provided during the period	(14,601)
Net book value as at 22 June 2020	1,039,144
Valuation deficit *(Note)*	(5,144)
Valuation of the property as at 22 June 2020 as set out in the property valuation report set out in Appendix V	1,034,000

Note: The valuation deficit is mainly resulted from the value of buildings and structures as measured by current cost of replacement (reproduction) after depreciation being smaller than the corresponding unaudited book value as at 22 June 2020.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

27th Floor, Standard Chartered Tower
Millennium City 1
388 Kwun Tong Road
Kowloon
Hong Kong

10 September 2020

The Directors
Man Sang International Limited
Unit WF, 25th Floor
Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

VALUATION OF PLANT AND EQUIPMENT

INTRODUCTION

In accordance with your instructions for us to conduct and prepare a desktop valuation of certain plant and equipment (collectively referred to as the "Equipment") exhibited to us as being owned by **A-Brand Hotel & Golf Club** (herein referred to as the "Company"), we confirm that we have made relevant enquiries and obtained such further information as is available for the purpose of providing you with our opinion of the market value of the Equipment.

Our report consists of this letter which identifies the assets appraised, valuation methodology, scope of our investigation, assumptions and considerations, and opinion of value.

PURPOSE OF VALUATION

It is our understanding that this valuation is for Major & Connected Transaction reference purposes.

DATE OF VALUATION

Our opinion of the market value (in-continued use) of the Equipment is stated as at the 22 June 2020.

BASIS OF VALUATION

We have valued the Equipment on the basis of Market Value, defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

ASSETS APPRAISED

The assets subject of this valuation, as per the list provided to us, utilized by the Company in the operation of hotel and golf facility, consist of machinery (including heating system, refueling equipment, automatic spraying equipment, grass cutter, air blower and others), motor vehicles, furnitures and miscellaneous, and building facilities that include transformer substation, power generation system, fire prevention system, water supply system, hot water supply system, gas facilities, fire-fighting equipment, boiler equipment, air conditioning system and others.

Location

The Equipment is situated at the Company's facilities located at 2361-1, Yoichi Cho, Yoichi Gun, Hokkaido, Japan. The site is approximately 7 kms from downtown Yoichi, overlooking Yoichi Bay and Shiripa Cape.

Observations and Comments

In accordance with your instructions, no inspection was conducted as at this valuation date. We have relied significantly on information provided to us by the Company. Moreover, we have been advised that the Equipment in the asset list provided to us is physically existing, in good working condition and subjected to routine maintenance. We have accepted this and taken into consideration in our valuation.

VALUATION METHODOLOGY

There are three (3) recognized and accepted approaches to value assets, namely: cost approach (depreciated replacement cost), market data or comparative sales approach and income or earnings approach.

Cost Approach (depreciated replacement cost) - this considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present, taking into consideration past and present maintenance policy and rebuilding history. This approach generally furnishes the most reliable indication of value for assets in the absence of known market based on comparable sales.

Market Data or Comparative Sales Approach - this considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is established market comparable maybe appraised by this approach.

Income or Earnings Approach — a technique in which the estimated stream of future benefits maybe enjoyed by reason of ownership, usually the anticipated or projected earnings, is processed to indicate the amount measured through capitalization of net income or application of multiples derived from financial analysis of similar industries.

Analysis

The value derived from income or earnings approach is for a total business enterprise, which includes all classifications of assets such as real estate, plant and machinery, intangibles and working capital. It is extremely difficult to segregate an earning and expenses stream attributable only to specific piece of asset. Therefore, this approach was not used.

The two approaches deemed appropriate in valuing the subject assets that were considered were the cost approach (depreciated replacement cost) and the market data or comparative sales approach. The value developed using market or comparative sales approach is significant because it is a direct reading and interpretation of what has actually been established between buyers and sellers in the actual market place. The market has already made deduction for physical depreciation, some functional and economic obsolescence. However, since complex and specialized plants similar to the subject appraised assets are seldom sold and no active and efficient secondhand market for all items of machinery exists, it is hardly to find a readily identifiable used market comparables. Therefore, the best indication of market value for these assets without a known and established secondhand market comparables is arrived at using the cost approach.

In the cost approach (depreciated replacement cost), one consideration was the physical depreciation, which is the loss in value due to physical deterioration resulting from wear and tear in operation and exposure to the elements. Deterioration due to age and deterioration due to usage are the main factors that affect physical condition. Physical condition due to wear and tear is proportional to use rather than age. Use is the best indicator to estimate physical deterioration. Although age of an asset is not the controlling factor in determining its physical condition, consideration must be given to age because the passage of time results in a certain amount of depreciation that could not be observed. Other factors considered were functional and economic obsolescence.

Market approach is best applied when duplicate or similar assets exist and have been sold or available for sale in a measurable comparative market. An upward or downward adjustment is made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

SCOPE OF INVESTIGATION, ASSUMPTIONS AND CONSIDERATIONS

In developing our opinion of market value (in-continued use) of the Equipment, consideration has been given to accrued depreciation that was based on present and prospective serviceability in comparison with new units of like kind, maintenance policy, character, level of use and to all other factors that are deemed to have an influence in its value. Furthermore, we have assumed that it will continue to be used in its present existing state in the business of the Company for which it was designed, built and erected, subject to potential profitability of the business.

The opinion of market value (in-continued use) of the Equipment as installed for intended utilization is not necessarily intended to represent the amount that might be realized from piecemeal disposition of the subject Equipment in the open market or from alternative use of the Equipment.

We have assumed in our market value (in-continued use) estimate that the Equipment will be used in its present existing state with the benefit of continuity of the tenure of land and buildings during the foreseeable future.

We have made no investigation of and assume no responsibility for titles to or liabilities against the Equipment appraised.

Our investigation was restricted to a desktop valuation of the subject Equipment and does not attempt to arrive at any conclusion of values of the Company as a total business entity.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the subject Equipment is used.

We have not made any deduction in respect of any grant either available or received, neither has any adjustment been made for any outstanding amounts owing under financing agreements.

We have relied to a considerable extent on information provided to us by the Company such as records, listings, and cost information.

OPINION OF VALUE

Premised on the above, we are of the opinion that the market value (in-continued use) of the Equipment for its intended usage, as part of an on-going business, appraised as at 22 June 2020 is fairly represented in the amount of **JPY38,248,800 (Japanese Yen Thirty Eight Million Two Hundred Forty Eight Thousand Eight Hundred)**, summarized hereunder:

	Market Value (in-continued use) as at 22 June 2020 Japanese Yen (JPY)
Machinery	17,222,400
Motor Vehicles	13,027,900
Furniture and Miscellaneous	4,812,400
Building Facilities	3,186,100
Total	**38,248,800**

We hereby certify that we have neither present nor prospective interest in the Company or the appraised Equipment or the values reported.

This valuation report is presented subject to our assumptions and consideration, and limitations as stated in this report.

Yours faithfully
For and on behalf of
VIGERS APPRAISAL & CONSULTING LIMITED
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc(e-com)
Managing Director

Consultant

Maximo I. Montes Jr., BSME, PME, is a Professional Mechanical Engineer who specializes in industrial plant valuation covering a broad range of industries and has 49 years of experience in the valuation of plant machinery and equipment in the People's Republic of China (including Hong Kong SAR and Macau SAR), ASEAN countries, Germany, Turkey, Australia, Canada, Japan, South Korea, Mongolia and Saudi Arabia.

We have relied to a considerable extent on information on valuation methodology, technical advice and market information provided by Mr. Montes as our consultant.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, and as a result of the allotment and issue of the Consideration Shares will be, as follows:

Authorised share capital:		*HKD*
5,000,000,000	Shares	500,000,000
Issued and fully paid or credited as fully paid:		
2,047,275,856	Shares as at the Latest Practicable Date	204,727,585.60
Shares to be issued:		
163,717,121	Consideration Shares to be issued	16,371,712.10
Total Shares issued and to be issued:		
2,210,992,977	Shares	221,099,297.70

The nominal value of the Shares and the Consideration Shares is HK$0.10 each. All the existing Shares rank *pari passu* in all respects including all rights as to dividend, voting and capital. The Consideration Shares to be issued following completion will rank *pari passu* in all respects with the existing Shares on the relevant date of allotment.

On 7 July 2020, the Company issued an aggregate of 141,104,000 Shares to China DaDi Group Limited, pursuant to the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 26 July 2019.

Save as disclosed above, since 31 March 2020 (the date to which the latest audited financial statements of the Company were made up) and up to the Latest Practicable Date, the Company has not issued any new Shares and as at the Latest Practicable Date, the Company did not have any outstanding options, warrants or securities which will be convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions, if any, of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares and underlying Shares:

Name of Director	Nature of interest	Number of Shares / Underlying Shares held	Approximate percentage of issued share capital of the Company
Mr. Hu Xingrong	Interest in a controlled corporation	1,197,921,245 (*Note*)	58.51%

Note: The entire issued share capital of China DaDi Group Limited is wholly-owned by Mr. Hu.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, so far as known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

4. DISCLOSURE OF INTERESTS OF THE SHAREHOLDERS PURSUANT TO THE SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital:

Long positions in the Shares and underlying Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares / Underlying Shares held	Approximate percentage of issued share capital of the Company
China DaDi Group Limited	Beneficial owner	1,197,921,245 (*Note*)	58.51%

Note: These shares were directly owned by China DaDi Group Limited, which is wholly-owned by Mr. Hu.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or were deemed or taken to have, any interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

5. COMPETING BUSINESS INTERESTS OF DIRECTORS

At the Latest Practicable Date, the interests of the Directors of the Company in competing business that were required to be disclosed pursuant to Rule 8.10 of the Listing Rules as informed by the relevant Directors were as follows:

Mr. Hu is the chairman and controlling shareholder of Doof International Holding Group Company Limited*（多弗國際控股集團有限公司）(“Doof Group”), a company established in the People’s Republic of China (the “PRC”) which principally engaged in the business of properties development in the PRC. The Company is an investment holding company whose subsidiaries are principally engaged in properties development which covers development, sales and leasing of properties in the PRC. Therefore, the business of properties development in the PRC engaged by Doof Group (the “Excluded Business”) may be regarded as being potentially competing (directly or indirectly) with the Group’s business, and Mr. Hu Xingrong is regarded as being interested in the Excluded Business.

The Board regularly assessed its business development plan regarding new property projects and/or acquisitions of other land reserves in the PRC. As at 31 March 2020 and 2019, the gearing ratio of the Group were approximately 7.94 times and 3.01 times, respectively. In the light of the deleveraging trend of property developers in the PRC and international trade tensions affecting the market sentiment, the Board decided to take a prudent approach in business expansion to avoid over-gearing. The Company has no present intention to commit itself to excessive capital requirements whether through acquisition of property assets from Doof Group or joint development with Doof Group on any new property projects, until and unless the gearing ratio of the Group is restored to a reasonably low level. As such, the Board is of the view that the risk of competition between the Group and Doof Group is currently low.

When the gearing ratio of the Group is restored to a reasonably low level, the Board will reassess the situation and consider the non-competition arrangement with Doof Group, including the implementation of geographical delineation, differentiation in terms of business focus and/or the signing of non-competition undertakings. Further announcement(s) will be made regarding such arrangements as and when appropriate.

Apart from Mr. Hu Xingrong, Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu (all being executive Directors of the Company) are vice presidents of Doof Group. To the best knowledge of the Company after making all reasonable enquiries, Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu had no shareholding interest in Doof Group. The Company was informed by Mr. Huang Xiaohai, Mr. Jin Jianggui and Mr. Li Zhenyu that they were merely maintaining their positions as vice presidents of Doof Group in a non-executive nature.

The Group and the Excluded Business under Doof Group are managed by separate companies with separate management and administration. With the overseeing and supervision of the independent non-executive Directors of the Company, the Board is of the view that the Group should be capable of carrying on its businesses independently of, and at arm’s length from, the Excluded Business of Doof Group.

6. DIRECTORS' MATERIAL INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

(a) Save for the Acquisition and agreements disclosed in (a) and (b) under the paragraph headed "Material Contracts" in this appendix, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 March 2020 (being the date to which the latest published audited financial statements of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Enlarged Group;

(b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group, save for the Acquisition Agreement in which Mr. Hu, the chairman and an executive Director of the Company has material interests, and has abstained from voting on the relevant board resolutions approving the Acquisition Agreement and the transactions contemplated therein, including the allotment and issue of the Consideration Shares.

Please refer to the "Letter from the Board" set out on pages 7 to 25 of this circular for details relating to the Acquisition Agreement.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contracts with the Company or any member of the Enlarged Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group or to which any member of the Enlarged Group may become a party.

9. QUALIFICATION OF EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which are contained or referred to in this circular:

Name	Qualification
SHINEWING (HK) CPA Limited	Certified public accountants
King & Wood Mallesons	Japan legal adviser to the Company
Vigers Appraisal & Consulting Limited (involving consultants: Urban Real Estate Appraisal Japan Co., Ltd. and Mr. Maximo I. Montes Jr.)	Professional valuer and surveyor
Gram Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

The experts above have given and have not withdrawn their written consents to the issue of this circular with copies of its letter or report (as the case may be) and the references to its name included herein the form and context in which they respectively appear.

The letters or reports (as the case may be) from the above experts are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, none of the experts above had any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the experts above had any direct or indirect interests in any assets which have since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

(a) an equity transfer agreement dated 13 December 2019 entered into between Wenzhou Huiyong Real Estate Development Co., Ltd.* (溫州暉永房地產開發有限公司), as purchaser, and Wenzhou Doof Real Estate Group Co., Ltd.* (溫州多弗地產集團有限公司) as vendor, pursuant to which Wenzhou Huiyong Real Estate Development Co., Ltd.* (溫州暉永房地產開發有限公司) agreed to purchase, and Wenzhou Doof Real Estate Group Co., Ltd.* (溫州多弗地產集團有限公司) agreed to sell, the entire equity interests in Zhejiang Doof Property Management Services Co., Ltd.* (浙江多弗物業管理服務有限公司) for a consideration of RMB500,000;

(b) a sale and purchase agreement dated 8 May 2020 entered into between Wenzhou Rongdong Real Estate Development Co., Ltd.* (溫州榮東房地產開發有限公司), as purchaser, and Mr. Hu Shikuan and Ms. Zhang Tingting, as vendors, pursuant to which Rongdong Real Estate Development Co., Ltd.* (溫州榮東房地產開發有限公司) conditionally agreed to acquire, and Mr. Hu Shikuan and Ms. Zhang Tingting conditionally agreed to sell, the entire equity interest in Wenzhou Junshang Decoration Co., Ltd.* (溫州君尚裝飾有限公司) at a consideration of RMB1;

(c) a placing agreement dated 24 June 2020 and entered into among the Company, China DaDi Group Limited, Mr. Hu and Roofer Securities Limited, pursuant to which Roofer Securities Limited agreed to place up to 141,104,000 existing Shares on behalf of the China DaDi Group Limited;

(d) a subscription agreement dated 24 June 2020 and entered into between the Company and China DaDi Group Limited, pursuant to which China DaDi Group Limited conditionally agreed to subscribe for, and the Company agreed to issue up to 141,104,000 new Shares; and

(e) a strategic cooperation framework agreement dated 1 July 2020 and entered into between Zhejiang Huiyong Property Management Service Co., Ltd.* (浙江暉永物業管理服務有限公司) and Doof International Real Estate Co., Ltd.* (多弗國際地產股份有限公司), pursuant to which the parties will, among other things, have comprehensive cooperation in respect of real estate management projects.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection from 10:00 a.m. to 5:30 p.m. on any weekdays (except for public holidays) at the principal place of business in Hong Kong of the Company at Unit WF, 25th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong, from date of this circular up to (and including) the date of the SGM:

- the Articles of association of the Company;
- the material contracts referred to in the section headed "Material Contracts" in this appendix;
- the Acquisition Agreement;
- the annual reports of the Company for each of the three years ended 31 March 2018, 2019 and 31 March 2020;
- the accountants' report on the Target Group from SHINEWING (HK) CPA Limited as set out in Appendix II to this circular;
- the report from SHINEWING (HK) CPA Limited on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;
- the valuation report on the Target Property issued by Vigers Appraisal & Consulting Limited, which has incorporated the opinion of its consultant Urban Real Estate Appraisal Japan Co. Ltd., as set out in Appendix V to this circular;
- the valuation report of the plant and equipment of the Target Group issued by Vigers Appraisal & Consulting Limited, which has incorporated the opinion of its consultant Maximo I. Montes Jr., as set out in Appendix VII to this circular;
- the legal opinion prepared by King & Wood Mallesons in respect of certain aspects of the Target Group including its property interests;
- the letter of advice from Gram Capital, the text of which is set out on pages 31 to 50 of this circular;
- the letter of recommendation from the Independent Board Committee, the text of which is set out on page 29 of this circular;
- the written consent letters of the experts referred to in the section headed "Expert's Qualifications and Consents" in this appendix; and
- this circular.

12. MISCELLANEOUS

- The Company Secretary of the Company is Ms. Ho Wing Yan. Ms. Ho is an associate member the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

- The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

- The principal place of business of the Company in Hong Kong is at Unit WF, 25th Floor, Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong.

- The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited, 4th floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

- The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

- The English text of this circular prevails over the Chinese text in case of inconsistency.

Man Sang International Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

NOTICE OF SGM

NOTICE IS HEREBY GIVEN that an special general meeting (the "**SGM**") of Man Sang International Limited (the "**Company**") will be held at Suite 2703, 27/F., Shui On Centre, 6-8 Harbour Road Wanchai, Hong Kong on Friday, 25 September 2020 at 4:15 p.m.(or immediately after the conclusion or the adjournment of the annual general meeting of the Company to be held at the same venue and on the same day at 4:00 p.m.) for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions. Capitalised terms defined in the circular dated 10 September 2020 issued by the Company (the "**Circular**") of which this notice forms part shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTIONS

"**THAT:**

1. the Acquisition Agreement (a copy of which has been produced to the meeting marked "A" and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated therein, including the allotment and issue of the Consideration Shares at the issue price of HK$0.370 per Consideration Share, and the implementation thereof be and are hereby approved, confirmed and ratified; and

2. any one of the Directors be and is hereby authorised to do all such acts and things and sign, agree, ratify, execute, perfect or deliver all such documents or instruments under hand (or where required, under the common seal of our Company together with another Director or any person authorised by the board of Directors) and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the Acquisition Agreement and any of the transactions contemplated thereunder."

By Order of the Board
Man Sang International Limited
Hu Xingrong
Chairman

Hong Kong, 10 September 2020

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit WF, 25th Floor, Eight Commercial Tower
8 Sun Yip Street
Chai Wan
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened (or any adjournment thereof) is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy, must be deposited together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority, at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjourned thereof).

3. Members whose names appear on the register of members of the Company, 21 September 2020 will be entitled to attend and vote at the special general meeting. In order to qualify for attending the SGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, whose share registration public offices are located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 21 September 2020.

4. Completion and delivery of the form of proxy will not preclude members from attending and voting in person at the special general meeting and in such event, the relevant form of proxy shall be deemed to be revoked.

5. In compliance with the Listing Rules and the Articles of association of the Company, all resolutions set out in this notice of the special general meeting will be voted on by way of poll.

6. In view of the ongoing Novel Coronavirus ("COVID-19") pandemic and recent requirements, if any, for prevention and control of its spread, the Company will implement the following preventive measures at the SGM, including:

    - compulsory temperature checks
    - compulsory wearing of surgical face masks for each attendee
    - no distribution of corporate gifts or refreshments

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the venue of the SGM. The Company also encourages its shareholders to consider appointing the chairman of the meeting as its/his/her proxy to vote on the relevant resolutions at the special general meeting as an alternative to attending the meeting in person. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

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