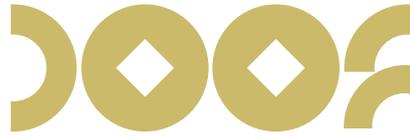


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MAN SANG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 938)

**UNAUDITED FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

The board of directors (the “**Board**”) of Man Sang International Limited (the “**Company**”) is pleased to announce the unaudited financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2021, together with the unaudited comparative figures for the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

		Six months ended	
		30 September	
	Notes	2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited and restated)
Revenue	3	49,035	80,749
Cost of sales		<u>(47,198)</u>	<u>(84,860)</u>
Gross profit (loss)		1,837	(4,111)
Other income and gains, net		3,519	1,426
Decrease in fair value of financial asset at fair value through profit or loss		(7,618)	–
Selling expenses		(7,136)	(7,465)
Administrative expenses		(44,752)	(50,743)
Decrease in fair values of investment properties		(64,808)	(16,081)
Finance income		23	150
Finance costs	4	<u>(96,849)</u>	<u>(62,934)</u>
Loss before tax	5	(215,784)	(139,758)
Income tax credits	6	<u>15,637</u>	<u>1,985</u>
Loss for the period		<u>(200,147)</u>	<u>(137,773)</u>
Loss attributable to:			
Equity holders of the Company		(199,856)	(138,954)
Non-controlling interests		<u>(291)</u>	<u>1,181</u>
		<u>(200,147)</u>	<u>(137,773)</u>
LOSS PER SHARE	8		
– basic and diluted (HK cents)		<u>(45.20)</u>	<u>(32.54)</u>

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

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited and restated)
Other comprehensive income (expenses):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>56,451</u>	<u>70,382</u>
Total comprehensive expenses for the period	<u>(143,696)</u>	<u>(67,391)</u>
Attributable to:		
Equity holders of the Company	(143,451)	(68,631)
Non-controlling interests	<u>(245)</u>	<u>1,240</u>
	<u><u>(143,696)</u></u>	<u><u>(67,391)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

		30 September 2021	31 March 2021
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties	9	1,953,424	1,954,762
Property, plant and equipment	9	643,913	654,191
Financial asset at fair value through profit or loss		3,805	11,235
Right-of-use assets		201,869	200,532
Intangible asset		1,697	1,688
Other receivables		<u>11,669</u>	<u>9,835</u>
		<u>2,816,377</u>	<u>2,832,243</u>
Current assets			
Properties under development or held for sales		465,769	455,873
Inventories		14,128	5,184
Trade and other receivables	10	44,690	34,546
Contract assets		7,488	5,388
Amounts due from related companies		11,396	15,778
Cash and cash equivalents		<u>37,837</u>	<u>153,787</u>
		<u>581,308</u>	<u>670,556</u>
Current liabilities			
Trade and other payables	11	203,994	208,284
Amounts due to related companies		8,043	4,632
Current income tax liabilities		157,518	154,914
Promissory notes	12	1,073,512	–
Bank and other borrowings	13	28,482	20,636
Unsecured borrowings from a director	14	390,198	–
Lease liabilities		<u>3,148</u>	<u>3,163</u>
		<u>1,864,895</u>	<u>391,629</u>
Net current (liabilities) assets		<u>(1,283,587)</u>	<u>278,927</u>
Total assets less current liabilities		<u>1,532,790</u>	<u>3,111,170</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – *Continued*
At 30 September 2021

		30 September	31 March
		2021	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Deferred tax liabilities		5,078	21,116
Promissory notes	<i>12</i>	–	1,042,307
Bank and other borrowings	<i>13</i>	1,471,617	1,441,351
Unsecured borrowings from a director	<i>14</i>	–	404,411
Lease liabilities		10,663	12,857
		<u>1,487,358</u>	<u>2,922,042</u>
Net assets		<u>45,432</u>	<u>189,128</u>
Capital and reserves			
Share capital	<i>15</i>	221,099	221,099
Reserves		(178,130)	(34,679)
Non-controlling interests		2,463	2,708
Total equity		<u>45,432</u>	<u>189,128</u>

NOTES

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

This condensed consolidated interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

For the six months ended 30 September 2021, the Group reported net loss of approximately HK\$200,147,000. As at 30 September 2021, the Group had total current liabilities of approximately HK\$1,864,895,000, including bank and other borrowings, promissory notes and unsecured borrowings from a director of approximately HK\$28,482,000, HK\$1,073,512,000 and HK\$390,198,000 respectively. As at the same date, the Group also had capital commitment of approximately HK\$2,128,000 (note 16).

In view of the above, the directors of the Company have reviewed the Group’s cash flow projection covering a period of twelve months from 30 September 2021 which have taken into account the following measures:

- (1) Chongqing Kingstone Land Co., Ltd.* (重慶皇石置地有限公司) (“**Chongqing Kingstone**”), an indirect wholly owned subsidiary of the Company, has commenced the sales of the properties and the leasing of serviced apartments and shopping mall which are expected to continue to generate operating cash inflows to the Group;
- (2) The continuous financial support from Mr. Hu Xingrong (“**Mr. Hu**”) with unutilised facilities as at 30 September 2021 amounted to approximately HK\$394,218,000 available for drawdown at the Group’s request;
- (3) Subsequent to 30 September 2021, promissory notes and unsecured borrowing from a director of approximately HK\$228,000,000 and HK\$100,000,000 respectively were capitalised by issuance of 205,000,000 ordinary shares in the Company; and
- (4) It is expected that the extensions of maturity dates of the facilities granted from Mr. Hu and the promissory notes by at least one year will be agreed.

Based on the above, in the opinion of the directors of the Company, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2021. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

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

* *The English name is for identification purpose only*

Merger accounting for business combination involving entities under common control

On 14 July 2020, Decent Start Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Hu, who is the sole shareholder of Tafutsu Kabushiki Kaisha (株式會社多弗) (“**Doof Japan**”, together with its subsidiaries, the “**Doof Japan Group**”), to acquire the entire equity interest in Doof Japan, a private company incorporated in Japan and the shareholder’s loan of approximately JPY1,975,537,000 (equivalent to approximately HK\$138,228,000) provided by Mr. Hu, for a consideration of approximately JPY848,394,000 (equivalent to approximately HK\$67,124,000). The consideration was satisfied by the issuance of 163,717,121 ordinary shares of the Company of HK\$0.1 each at HK\$0.41 per share.

The acquisition was completed on 30 October 2020, and the Doof Japan Group have become indirect wholly-owned subsidiaries of the Group since then. As Doof Japan and the Company are ultimately controlled by Mr. Hu, the acquisition of the Doof Japan Group was regarded as business combination under common control. The net assets of the Doof Japan Group are consolidated using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest. The adjustments to eliminate share/registered capital of the combining entity or business against the related investment costs have been made to merger reserve in the consolidated statement of changes in equity.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended 30 September 2020 have been restated to include the operating results of the Doof Japan Group as if this acquisition had been completed on 1 April 2020.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for investment properties under construction and financial asset at fair value through profit or loss, which are measured at fair values.

The accounting policies used in the preparation of these condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 April 2021:

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

The Group’s operating businesses are structured and managed separately according to the nature of the operations and the product perspectives. Each of the Group’s reportable operating segment represents a strategic business unit that are subject to risks and returns that are different from the other reportable operating segment. Details of the reportable operating segments are as follows:

1. Chongqing property – Property development, sales of properties and leasing of properties;
2. Property management services – Provision of property management services;
3. Renovation and decoration – Provision of renovation and decoration services; and
4. Hotel operation in Japan – Hotel operation in Hokkaido, Japan.

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

For the six months ended 30 September 2021 (unaudited)

	Chongqing Property HK\$'000	Property management services HK\$'000	Renovation and decoration HK\$'000	Hotel operation in Japan HK\$'000	Total HK\$'000
REVENUE					
Revenue from external customers	<u>21,770</u>	<u>14,353</u>	<u>7,860</u>	<u>5,052</u>	<u>49,035</u>
Segment (loss) profit	(162,168)	1,377	(562)	(4,676)	(166,029)
Unallocated income					7
Unallocated expenses					<u>(49,762)</u>
Loss before tax					<u>(215,784)</u>

For the six months ended 30 September 2020 (unaudited and restated)

	Chongqing Property HK\$'000	Property management services HK\$'000	Renovation and decoration HK\$'000	Hotel operation in Japan HK\$'000	Total HK\$'000
REVENUE					
Revenue from external customers	<u>26,111</u>	<u>10,154</u>	<u>38,858</u>	<u>5,626</u>	<u>80,749</u>
Segment (loss) profit	(88,007)	2,853	3,641	(5,997)	(87,510)
Unallocated income					1,005
Unallocated expenses					<u>(53,253)</u>
Loss before tax					<u>(139,758)</u>

4. FINANCE COSTS

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited and restated)
Finance costs:		
– Interest on bank and other borrowings	53,543	51,142
– Interest on unsecured borrowings from a director	11,539	3,147
– Interest on promissory notes (<i>note 12</i>)	31,205	31,120
– Interest on lease liabilities	562	540
	<hr/>	<hr/>
	96,849	85,949
Less: amount capitalised on qualifying assets	–	(23,015)
	<hr/>	<hr/>
	96,849	62,934

5. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited and restated)
Cost of completed properties held for sales	–	19,866
Depreciation of property, plant and equipment	16,909	20,547
Depreciation of right-of-use assets	2,856	4,482
	<hr/>	<hr/>
	2,856	4,482

6. INCOME TAX CREDITS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC Enterprise Income Tax	219	146
– PRC land appreciation tax	–	509
	<u>219</u>	<u>655</u>
Deferred income tax	<u>(15,856)</u>	<u>(2,640)</u>
	<u>(15,637)</u>	<u>(1,985)</u>

Hong Kong Profits Tax

No Hong Kong Profits Tax has been provided since no assessable profits have been generated during the six months ended 30 September 2021 (2020: nil).

Japan Corporate Income Tax

No Japan Corporate Income Tax has been provided since no assessable profits have been generated the six months ended 30 September 2021 (2020: nil).

The PRC Enterprise Income Tax

The PRC Enterprise Income Tax in respect of operations in the Mainland China is calculated at a rate of 25% (2020: 25%) on the estimated assessable profits for the six months ended 30 September 2021 under the Law of the PRC's on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

The PRC land appreciation tax

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

7. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

8. LOSS PER SHARE

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

	Six months ended 30 September	
	2021 (HK\$'000) (Unaudited)	2020 (HK'000) (Unaudited and restated)
Loss		
Loss attributable to equity holders of the Company for the purpose of basic and diluted loss per share	<u>199,856</u>	<u>138,954</u>
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basic and diluted loss per share	<u>442,199</u>	<u>427,086</u>

The weighted average number of shares for the period ended 30 September 2020 had been restated to take into account the share issued for the acquisition of Doof Japan and share consolidation that were taken place after 30 September 2020.

Since there are no potential dilutive shares in issue during the six months ended 30 September 2021 and 2020, basic and dilutive loss per share are the same for both reporting periods.

9. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Valuations of the Group's investment properties as at 30 September 2021 and 31 March 2021 were performed by CHFT Advisory and Appraisals Limited, an independent professional valuer not connected with the Group who holds recognised relevant professional qualification and have recent experience in valuing similar properties in the similar locations for the properties located in Chongqing.

The fair value measurements for the investment properties are included in level 3 of the fair value hierarchy. There were no transfers between levels of fair value hierarchy during the six months ended 30 September 2021 and 2020.

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

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

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

There are no changes to the valuation techniques as at 30 September 2021 and 31 March 2021.

During the six months ended 30 September 2021, there was no addition to the Group's investment properties (30 September 2020: HK\$25,156,000). As at 30 September 2021, the carrying amount of the investment properties is approximately HK\$1,953,424,000 (31 March 2021: HK\$1,954,762,000), with decrease in fair value of investment properties of approximately HK\$64,808,000 during the six months ended 30 September 2021 (six months ended 30 September 2020: approximately HK\$16,081,000).

During the six months ended 30 September 2021, additions to the Group's property, plant and equipment were approximately HK\$1,422,000 (six months ended 30 September 2020: HK\$14,031,000).

10. TRADE AND OTHER RECEIVABLES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Trade receivables	20,299	9,764
Deposits and other receivables	23,253	22,948
Prepayments	<u>1,138</u>	<u>1,834</u>
	<u>44,690</u>	<u>34,546</u>

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

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0 – 30 days	6,543	2,715
31 – 90 days	6,018	2,154
91 – 180 days	2,335	2,806
More than 180 days	<u>5,403</u>	<u>2,089</u>
	<u>20,299</u>	<u>9,764</u>

11. TRADE AND OTHER PAYABLES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Trade payables	19,794	18,796
Construction costs accruals and payables	93,331	109,694
Other accruals and payables	90,869	79,794
	<u>203,994</u>	<u>208,284</u>

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

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
0 – 30 days	3,886	15,132
31 – 90 days	991	3,307
91 – 180 days	613	297
More than 180 days	14,304	60
	<u>19,794</u>	<u>18,796</u>

12. PROMISSORY NOTES

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
At the beginning of the period/year	1,042,307	980,195
Interest charged (<i>note 4</i>)	31,205	62,112
At the end of the period/year	<u>1,073,512</u>	<u>1,042,307</u>
Amounts shown under current liabilities	1,073,512	–
Amounts shown under non-current liabilities	–	1,042,307
	<u>1,073,512</u>	<u>1,042,307</u>

As at 30 September 2021, the promissory notes with principal amount of HK\$778,000,000 (2020: HK\$778,000,000) and interest accrued thereon of approximately HK\$295,512,000 (2020: HK\$264,307,000) will mature on 28 July 2022. All interests are to be paid on maturity date. The Company may redeem (in full or in part) the promissory notes at any time after the date of issue of the promissory notes and before the maturity date by serving prior notice to the promissory notes holder. The promissory notes are measured at amortised cost, using the effective interest rates at 8%.

13. BANK AND OTHER BORROWINGS

	30 September 2021 <i>HK\$'000</i> (Unaudited)	31 March 2021 <i>HK\$'000</i> (Audited)
Other borrowings	13,548	5,950
Bank borrowing	<u>1,486,551</u>	<u>1,456,037</u>
	<u>1,500,099</u>	<u>1,461,987</u>
Current:		
Unsecured other loan – principal portion (<i>note (i)</i>)	12,100	4,760
Unsecured other loan – interest portion (<i>note (i)</i>)	1,448	1,190
Secured bank loan – principal portion (<i>note (ii)</i>)	12,100	11,900
Secured bank loan – interest portion (<i>note (ii)</i>)	<u>2,834</u>	<u>2,786</u>
	<u>28,482</u>	<u>20,636</u>
Non-current:		
Unsecured other loan – principal portion (<i>note (iii)</i>)	5,966	–
Unsecured other loan – interest portion (<i>note (iii)</i>)	76	–
Secured bank loan – principal portion (<i>note (ii)</i>)	<u>1,465,575</u>	<u>1,441,351</u>
	<u>1,471,617</u>	<u>1,441,351</u>
Total bank and other borrowings	<u>1,500,099</u>	<u>1,461,987</u>

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

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Within 1 year	28,482	20,636
More than 1 year but less than 2 years	30,242	23,800
More than 2 years but less than 5 years	326,700	321,300
More than 5 years	<u>1,114,675</u>	<u>1,096,251</u>
	<u>1,500,099</u>	<u>1,461,987</u>
	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Carrying amount of bank and other borrowings repayable within one year	24,200	16,660
Interest portions of bank and other borrowings	<u>4,282</u>	<u>3,976</u>
Amounts shown under current liabilities	28,482	20,636
Amounts shown under non-current liabilities	<u>1,471,617</u>	<u>1,441,351</u>
	<u>1,500,099</u>	<u>1,461,987</u>

Notes:

- (i) The unsecured loan as at 30 September 2021 represented (a) the unsecured loan from a related party to the Group with principal amount of RMB10,000,000 (31 March 2021: RMB4,000,000), equivalent to HK\$12,100,000 (31 March 2021: HK\$4,760,000) at carrying fixed interest rate of 15% per annum; and (b) interest payable of RMB1,197,000 (31 March 2021: RMB1,000,000), equivalent to HK\$1,448,000 (31 March 2021: HK\$1,190,000).
- (ii) The secured bank loan as at 30 September 2021 represents the bank loan with principal amount of RMB1,221,219,000 (31 March 2021: RMB1,221,219,000) obtained during the year ended 31 March 2020, equivalent to HK\$1,477,675,000 (31 March 2021: HK\$1,453,251,000). The secured bank loan carries a fixed interest rate of 7% per annum, with the interest payable quarterly, and will mature on 30 March 2035. As at 30 September 2021, the bank borrowing was guaranteed by Mr. Hu and secured by certain investment properties, properties held for sale and certain properties, plant and equipment of the Group.

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

The unsecured loan as at 30 September 2021 represented the unsecured loan a related party to the Group with principal amount of HK\$5,966,000 (31 March 2021: nil) at interest rate of 8% per annum and interest payable of HK\$76,000 (31 March 2021: nil).

14. UNSECURED BORROWINGS FROM A DIRECTOR

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Unsecured borrowings denominated in RMB (<i>note (i)</i>)		
– principal portion	210,782	247,568
– interest portion	64,915	55,937
	275,697	303,505
Unsecured borrowing denominated in HK\$ (<i>note (ii)</i>)		
– principal portion	100,000	90,274
– interest portion	14,501	10,632
	114,501	100,906
	390,198	404,411
Amounts shown under current liabilities	390,198	–
Amounts shown under non-current liabilities	–	404,411
	390,198	404,411

Notes:

- (i) On 1 June 2018 and 29 August 2018, an unsecured revolving loan facility with an aggregate facility amount of RMB500,000,000 (equivalent to HK\$605,000,000) has been granted from Mr. Hu to certain subsidiaries of the Group established in the PRC which carries a fixed interest rate of 9% per annum, with maturity date on to 6 July 2022.

As at 30 September 2021, unsecured borrowings with aggregate principal amount of RMB174,200,000 (31 March 2021: RMB208,040,000), equivalent to approximately HK\$210,782,000 (31 March 2021: HK\$247,568,000), has been drawn down. The effective interest rate of the unsecured borrowings is 9% per annum.

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

As at 30 September 2021, unsecured borrowing with principal amount of HK\$100,000,000 (31 March 2021: HK\$90,274,000) has been drawn down. The effective interest rate of the unsecured borrowing is 8% per annum.

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

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Fixed rate		
– expiring on 6 July 2022	<u>394,218</u>	<u>357,158</u>

15. SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2021 '000 (Unaudited)	31 March 2021 '000 (Audited)	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Ordinary shares of HK\$0.5 each Authorised				
At the beginning and the end of the period/year	<u>1,000,000</u>	<u>1,000,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid, HK\$0.5 each				
At the beginning and end of the period/year	<u>442,199</u>	<u>442,199</u>	<u>221,099</u>	<u>221,099</u>

16. CAPITAL COMMITMENTS

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Unaudited)
Capital expenditure contracted for but not provided in the condensed consolidated interim financial information:		
– Construction of properties	<u><u>2,128</u></u>	<u><u>1,898</u></u>

17. BUSINESS COMBINATION UNDER COMMON CONTROL

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

The reconciliation of the effect, arising from the common control combination on the consolidated statement of profit or loss for the six months ended 30 September 2020 is as follows:

	The Group excluding the Doof Japan Group HK\$'000 (As previously reported)	Doof Japan Group HK\$'000	Consolidated HK\$'000 (Restated)
Revenue	75,123	5,626	80,749
Cost of sales	<u>(78,125)</u>	<u>(6,735)</u>	<u>(84,860)</u>
Gross loss	(3,002)	(1,109)	(4,111)
Other income and gains, net	1,799	(373)	1,426
Selling expenses	(7,465)	–	(7,465)
Administrative expenses	(46,229)	(4,514)	(50,743)
Decrease in fair value of investment properties	(16,081)	–	(16,081)
Finance income	150	–	150
Finance costs	<u>(62,934)</u>	<u>–</u>	<u>(62,934)</u>
Loss before tax	(133,762)	(5,996)	(139,758)
Income tax credit	<u>1,007</u>	<u>978</u>	<u>1,985</u>
Loss for the period	<u><u>(132,755)</u></u>	<u><u>(5,018)</u></u>	<u><u>(137,773)</u></u>

* The English name is for identification purpose only

The effect of the business combination involving entities under common control described above on the Group's basic and diluted loss per share for the six months ended 30 September 2021 and 2020 is as follows:

	2021 <i>HK cents</i>	2020 <i>HK cents</i> (Restated)
Basic and diluted loss per share, before adjustment	(44.07)	(31.37)
Adjustment arising from acquisition of the Doof Japan Group	<u>(1.13)</u>	<u>(1.17)</u>
Basic and diluted earnings per share, after adjustment	<u>(45.20)</u>	<u>(32.54)</u>

18. EVENT AFTER THE REPORTING PERIOD

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

On the even day, the Company entered into another subscription agreement with an indirect wholly-owned subsidiary of the Company and Mr. Hu, pursuant to which Mr. Hu conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 62,500,000 ordinary shares at the subscription price of HK\$1.60 per share in settlement of the principal amount of unsecured borrowings from a director of HK\$100,000,000.

The subscriptions were completed on 12 October 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Chongqing Property

Revenue: HK\$21,770,000 (six months ended 30 September 2020: HK\$26,111,000)

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

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

Included in the Chongqing Property, the shopping mall is classified as “Investment Properties”, the fair value of which amounted to HK\$1,953,424,000 as at 30 September 2021, which was equivalent to 57.49% of total assets of the Group.

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

Property Management

Revenue: HK\$14,353,000 (six months ended 30 September 2020: HK\$10,154,000)

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

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

The entry by the Group into the property management industry in 2020 has created synergies with the Group's other businesses and has diversified the income sources of the Group.

Renovation and Decoration

Revenue: HK\$7,860,000 (six months ended 30 September 2020: HK\$38,858,000)

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

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

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

Hotel operation in Japan

Revenue: HK\$5,052,000 (six months ended 30 September 2020: HK\$5,626,000, as restated)

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

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

* *The English name is for identification purpose only*

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

Given the pleasant natural environment and the improving standard of operation and management of the hotel, it is expected that the future income generated by Doof Japan and its subsidiaries will have more room for improvement as the global pandemic improves.

LOOKING FORWARD

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

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

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

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

FINANCIAL REVIEW

Revenue and gross profit

Revenue of the Group for the Current Period amounted to HK\$49,035,000 (six months ended 30 September 2020, HK\$80,749,000, as restated), which comprised of leasing income from the Chongqing Property, income from the Japan resort hotel, property management service income and renovation and decoration income. The decrease in revenue by HK\$31,714,000 as compared to the prior period was mainly resulted from the less satisfactory revenue contribution from the renovation and decoration business, which had less renovation and decoration projects during Current Period.

Gross profit of the Group amounted to HK\$1,837,000 in the Current Period (Gross loss for six months ended 30 September 2020: HK\$4,111,000, as restated).

Selling and administrative expenses

Selling and administrative expenses mainly comprised of selling expenses of HK\$7,136,000 (six months ended 30 September 2020: HK\$7,465,000, as restated) and administrative expenses of HK\$44,752,000 (six months ended 30 September 2020: HK\$50,743,000, as restated). The selling and administrative expenses have been maintained at a stable level as a result of strengthened cost control measures during the period.

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

The loss attributable to owners of the Company increased to HK\$199,856,000 (six months ended 30 September 2020: HK\$138,954,000, as restated), and the total comprehensive expenses for the period attributable to owners of the Company was HK\$143,451,000 (six months ended 30 September 2020: HK\$68,631,000, as restated) which was mainly attributable to (i) decrease in fair value of investment properties of HK\$64,808,000 in the Current Period (six months ended 30 September 2020: HK\$16,081,000) and (ii) increase in finance cost to HK\$96,849,000 (six months ended 30 September 2020: HK\$62,934,000) as no finance cost was capitalised during the period, following the completion of our property redevelopment project in Chongqing.

Liquidity and capital resources

As at 30 September 2021, the Group's total equity was HK\$45,432,000 (31 March 2021: HK\$189,128,000), represented a decrease of 75.98% as compared to prior year and which was mainly due to the loss for the Current Period amounted to HK\$200,147,000, such impact on total equity was partially offset by the exchange gain on translation of foreign operations of HK\$56,451,000 as a result of the appreciation of Renminbi against Hong Kong dollars.

As at 30 September 2021, the Group had cash and cash equivalents of HK\$37,837,000 (31 March 2021: HK\$153,787,000). Cash and bank balances were mainly denominated in Renminbi. The Group's current assets amounted to HK\$581,308,000 (31 March 2021: HK\$670,556,000). The current ratio, represented by total current assets divided by total current liabilities, was 0.31 (31 March 2021: 1.71).

As at 30 September 2021, the Group had current liabilities of HK\$1,864,895,000 (31 March 2021: HK\$391,629,000) and total borrowings, representing bank and other borrowings, promissory notes and unsecured borrowings from a director, amounted to HK\$2,963,809,000 (31 March 2021: HK\$2,908,705,000) which are interest bearing and denominated in Renminbi or Hong Kong dollars. The Group does not currently use any derivatives to manage interest rate risk. Gearing ratio, represented by total borrowings divided by total equity, was 65.24 (31 March 2021: 15.38). Approximately HK\$1,492,192,000 (31 March 2021: HK\$20,636,000) of the total borrowings will be due in the coming twelve months from the end of the reporting period. As at 30 September 2021, the Group had capital commitment of HK\$2,128,000 (31 March 2021: HK\$1,898,000, as restated), while its net current liabilities and cash and cash equivalents amounted to HK\$1,283,587,000 (net current assets as at 31 March 2021: HK\$278,927,000) and HK\$37,837,000 (31 March 2021: HK\$153,787,000), respectively.

In view of the above, the directors of the Company have reviewed the Group's cash flow projections covering a period of twelve months from 30 September 2021 which have taken into account the following measures:

- (1) Chongqing Kingstone has commenced the sales of the properties and the leasing of serviced apartments and shopping mall which is expected to continue to generate operating cash inflows to the Group;
- (2) The continuous financial support from Mr. Hu with unutilised facilities as at 30 September 2021 amounted to HK\$394,218,000 available for drawdown at the Group's request;
- (3) Subsequent to 30 September 2021, promissory notes and unsecured borrowing from a director of approximately HK\$228,000,000 and HK\$100,000,000 respectively were capitalised by issuance of 205,000,000 ordinary shares in the Company; and
- (4) It is expected that the extensions of maturity dates of the facilities granted from Mr. Hu and the promissory notes by at least one year will be agreed.

Based on the above, in the opinion of the directors of the Company, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 September 2021. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have any material contingent liabilities or guarantees (31 March 2021: Nil).

CHARGE ON ASSET

As at 30 September 2021, the Chongqing Property was pledged to secure banking borrowings granted to Chongqing Kingstone.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

Save as disclosed above, the Group did not hold any significant investments as at 30 September 2021.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group principally operates its business in Hong Kong and Mainland China. The Group has subsidiaries operating in Mainland China, in which most of their transactions are denominated in RMB. The Group is exposed to foreign exchange fluctuations arising from RMB, which is the main foreign currency transacted by the Group during the Current Period.

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2021, the Group had a total workforce of approximately 465 (31 March 2021: 399). The total staff costs, including directors emoluments and mandatory provident fund contributions, amounted to HK\$39,378,000 for the Current Period (six months ended 30 September 2020: HK\$35,713,000, as restated). Employees are remunerated based on their performance and experience. Remuneration package is determined by reference to market conditions and individual performance. The employees of the Group which operated in Mainland China are required to participate in a central pension scheme (the “**Central Pension Scheme**”) operated by the local municipal government, which are required to contribute a certain percentage, which was pre-determined by the local municipal government, of the sum of basic salary and allowance of employees to the Central Pension Scheme. In order to align the interests of staff, directors and consultants with the Group, share options may be granted to staff, directors and consultants under the Group’s share option scheme (the “**2012 Share Option Scheme**”). There were no share options outstanding under the 2012 Share Option Scheme as at 30 September 2021.

MATERIAL ACQUISITIONS AND DISPOSAL OF ASSETS, SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 September 2021, the Group had no material acquisition or disposals of subsidiaries, associates or joint ventures.

CORPORATE GOVERNANCE CODE

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

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

In the opinion of the directors of the Company, the Company has complied with all code provisions as set out in the CG Code throughout the six months ended 30 September 2021 and, where appropriate, the applicable recommended best practices of the CG Code.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by the directors. The Company confirms that, having made specific enquiry of all directors of the Company, all of the directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2021.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company, which comprises three independent non-executive directors, namely Ms. Pau Yee Ling, Mr. Wong Kwan Kit and Mr. Yuen Hoi Po, has reviewed the unaudited interim results of the Group for the six months ended 30 September 2021 and has recommended their adoption to the Board.

EVENT AFTER THE CURRENT PERIOD

Except for the connected transaction in relation to subscriptions of new ordinary shares of the Company under specific mandates as detailed in note 18, no significant events after the Current Period and up to the date of this announcement has taken place.

BOARD OF DIRECTORS

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

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

Hong Kong, 29 November 2021