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融太集團股份有限公司

MAGNUS CONCORDIA GROUP LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1172)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “Board”) of directors (the “Directors”) of Magnus Concordia Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2020 with the corresponding comparative figures as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended		
	30 September 2020	30 September 2019 (Restated)	Change
Revenue	HK\$894 million	HK\$231 million	+287%
Gross profit	HK\$53 million	HK\$37 million	+45%
Profit attributable to owners of the Company	HK\$8 million	HK\$29 million	-72%
Earnings per share	0.14 HK cent	0.83 HK cent	-83%
	As at		
	30 September 2020	31 March 2020	Change
Shareholders’ funds	HK\$877 million	HK\$842 million	+4%
Net asset value per share	HK\$0.15	HK\$0.15	–

RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2020

		2020	2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited) (Restated)
Revenue	4	894,315	230,985
Cost of sales		<u>(841,143)</u>	<u>(194,295)</u>
Gross profit		53,172	36,690
Other income, expense and net gains	4	11,303	286
Selling and marketing expenses		(17,362)	(12,552)
Administrative and other operating expenses		(26,394)	(34,306)
Change in fair value of investment properties		(5,045)	(18,270)
Gain on bargain purchase of a property development business	12	<u>–</u>	<u>60,070</u>
Operating profit	5	15,674	31,918
Finance costs	6	<u>(1,544)</u>	<u>(3,436)</u>
Profit before tax		14,130	28,482
Income tax credit/(expense)	7	<u>(5,869)</u>	<u>657</u>
Profit for the period		<u>8,261</u>	<u>29,139</u>
		HK cent	HK cent (Restated)
Basic and diluted earnings per share	9	<u>0.14</u>	<u>0.83</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited) (Restated)
Profit for the period	8,261	29,139
Other comprehensive income/(loss)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>26,873</u>	<u>(27,895)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>35,134</u>	<u>1,244</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2020

		30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		32,881	40,494
Investment properties		434,777	434,440
Other non-current assets		29,631	30,258
Total non-current assets		497,289	505,192
CURRENT ASSETS			
Inventories		22,506	43,190
Properties under development		2,516,648	2,853,687
Completed properties for sale		78,438	59,656
Accounts receivable	10	74,253	49,866
Prepayments, other receivables and other assets		409,134	161,339
Financial assets at fair value through profit or loss		61,512	96,037
Pledged cash and cash equivalents		–	120,000
Restricted bank balances		18,234	35,897
Cash and bank balances		92,000	265,502
Total current assets		3,272,725	3,685,174
CURRENT LIABILITIES			
Accounts payable	11	210,955	180,182
Accrued charges and other payables		109,912	268,195
Contract liabilities		1,737,365	1,893,374
Bank borrowings		185,422	373,127
Tax payable		192,191	109,039
Lease liabilities		1,570	2,058
Total current liabilities		2,437,415	2,825,975

	30 September 2020 <i>HK\$'000</i> (Unaudited)	31 March 2020 <i>HK\$'000</i> (Audited)
NET CURRENT ASSETS	<u>835,310</u>	<u>859,199</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,332,599</u>	<u>1,364,391</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	454,319	520,660
Lease liabilities	<u>1,290</u>	<u>1,875</u>
Total non-current liabilities	<u>455,609</u>	<u>522,535</u>
Net assets	<u><u>876,990</u></u>	<u><u>841,856</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	577,920	577,920
Reserves	<u>299,070</u>	<u>263,936</u>
Total equity	<u><u>876,990</u></u>	<u><u>841,856</u></u>

NOTES

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2020.

The accounting policies and basis of preparation adopted in the preparation of this unaudited interim condensed consolidated financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2020, except for the changes in and adoption of accounting policies and disclosures as disclosed in note 2.1. The Group has not early adopted any other new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that has been issued but is not yet effective.

2.1 CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES AND DISCLOSURES

(a) Adoption of the new and revised HKFRSs

In the current interim period, the Group has adopted the following new and revised HKFRSs for the first time for the unaudited interim condensed consolidated financial information:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent</i>
	<i>Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the new and revised HKFRSs has had no material impact on the unaudited interim condensed consolidated financial information of the Group.

(b) **Summary of significant accounting policies**

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.2 RESTATEMENT OF PRIOR PERIOD'S FINANCIAL STATEMENTS AS A RESULT OF FINALISED PURCHASE PRICE ALLOCATION OF BUSINESS COMBINATION

On 1 August 2019, the Group acquired the entire equity interest of Jinjin Investments Co., Limited and its subsidiaries (the "Jinjin Group") at consideration of HK\$400,000,000. During the period ended 30 September 2019, the assessment of the fair values of the identifiable assets and liabilities of the Jinjin Group had been undergoing and the information of the fair values of the identifiable assets and liabilities was provisional as at 30 September 2019.

During the period ended 30 September 2020, the Company finalised the assessment of the fair value of the identifiable assets and liabilities of the Jinjin Group and the Company retrospectively adjusted the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Accordingly, total identifiable net assets of the Jinjin Group at 30 September 2019 was increased by HK\$1,615,000 and the gain on bargain purchase of a property for the period ended 30 September 2019 was decreased by HK\$1,615,000.

The comparative information for the six months ended 30 September 2019 has been restated in the condensed consolidated income statement as follows:

	As previously reported <i>HK\$'000</i>	Effect of prior period adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Gain on bargain purchase of a property development business	61,685	(1,615)	60,070
Operating profit	33,533	(1,615)	31,918
Profit before tax	30,097	(1,615)	28,482
Profit for the period	<u>30,754</u>	<u>(1,615)</u>	<u>29,139</u>

3. SEGMENT INFORMATION

Segment information by business lines

The operating segments of the Group are determined based on internal reporting to the Group's chief operation decision maker ("CODM") (the executive directors of the Company) for the purposes of assessing performance and allocating resources. The internal reporting focuses on the strategic operation and development of each business unit, of which business units with similar economic characteristics are organised into an operating segment for the Group's CODM to evaluate its performance.

The Group's operating and reportable segments are as follows:

Property development	–	Development, sale and trading of real estate properties
Printing	–	Manufacture and sale of printed products
Property investment	–	Investment and leasing of real estate properties
Treasury	–	Investment and trading of debts, equity and other instruments
Others and corporate	–	Other non-reportable business activities and operating segments and corporate not constituting a reportable segment individually, together with corporate income and expense items and acquisition related costs

The Group's CODM assesses the performance of the operating segments based on a measure of earnings or loss before interest expense and tax ("EBIT" or "LBIT") and earnings or loss before interest expense, tax, depreciation and amortisation ("EBITDA" or "LBITDA").

Others and corporate segment assets mainly include cash and bank balances, short-term deposits, plant and equipment that are managed on a group basis and the assets related to other and other unallocated assets.

Others and corporate segment liabilities mainly include bank borrowings that are managed on a group basis and other unallocated liabilities.

The segment information by business lines is as follows:

	Property development <i>HK\$'000</i> (Unaudited)	Printing <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Treasury <i>HK\$'000</i> (Unaudited)	Others and corporate <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
For the six months ended						
30 September 2020						
Segment revenue						
Sales to external customers	774,438	108,607	5,150	–	2,905	891,100
Other revenue	–	–	–	3,215	–	3,215
Total revenue	<u>774,438</u>	<u>108,607</u>	<u>5,150</u>	<u>3,215</u>	<u>2,905</u>	<u>894,315</u>
EBITDA/(LBITDA)	11,708	4,385	(1,450)	11,154	(4,601)	21,196
Depreciation	<u>(51)</u>	<u>(4,236)</u>	<u>(79)</u>	<u>–</u>	<u>(1,156)</u>	<u>(5,522)</u>
Segment result – EBIT/(LBIT)	<u>11,657</u>	<u>149</u>	<u>(1,529)</u>	<u>11,154</u>	<u>(5,757)</u>	15,674
Finance costs						<u>(1,544)</u>
Profit before tax						14,130
Income tax expense						<u>(5,869)</u>
Profit for the period						<u>8,261</u>

	Property development <i>HK\$'000</i> (Unaudited) (Restated)	Printing <i>HK\$'000</i> (Unaudited)	Property investment <i>HK\$'000</i> (Unaudited)	Treasury <i>HK\$'000</i> (Unaudited)	Others and corporate <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited) (Restated)
For the six months ended						
30 September 2019						
Segment revenue						
Sales to external customers	86,602	138,321	4,852	–	227	230,002
Other revenue	–	–	–	983	–	983
Total revenue	<u>86,602</u>	<u>138,321</u>	<u>4,852</u>	<u>983</u>	<u>227</u>	<u>230,985</u>
EBITDA/(LBITDA)	59,187	6,007	(14,869)	1,958	(13,561)	38,722
Depreciation	<u>(12)</u>	<u>(5,812)</u>	<u>(79)</u>	<u>–</u>	<u>(901)</u>	<u>(6,804)</u>
Segment result – EBIT/(LBIT)	<u>59,175</u>	<u>195</u>	<u>(14,948)</u>	<u>1,958</u>	<u>(14,462)</u>	31,918
Finance costs						<u>(3,436)</u>
Profit before tax						28,482
Income tax credit						<u>657</u>
Profit for the period						<u>29,139</u>
	Property development <i>HK\$'000</i>	Printing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury <i>HK\$'000</i>	Others and corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 September 2020						
(unaudited)						
Total assets	<u>3,033,514</u>	<u>157,982</u>	<u>468,998</u>	<u>61,624</u>	<u>47,896</u>	<u>3,770,014</u>
Total liabilities	<u>2,541,134</u>	<u>118,362</u>	<u>55,803</u>	<u>4,300</u>	<u>173,425</u>	<u>2,893,024</u>
As at 31 March 2020						
(audited)						
Total assets	<u>3,132,420</u>	<u>152,416</u>	<u>468,416</u>	<u>216,143</u>	<u>220,971</u>	<u>4,190,366</u>
Total liabilities	<u>2,671,745</u>	<u>117,337</u>	<u>62,256</u>	<u>224,430</u>	<u>272,742</u>	<u>3,348,510</u>

Geographical segment information

The business of the Group operates in different geographical areas. Revenue is presented by the regions where customers are located. The segment information by geographical area is as follows:

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Mainland China	791,276	103,779
Hong Kong	3,810	15,086
United States of America	55,043	61,744
United Kingdom	12,808	18,166
Germany	2,970	2,659
France	10,303	8,541
Other regions	9,740	15,175
	885,950	225,150
Revenue from other sources		
Mainland China	3,098	2,953
Hong Kong	5,267	2,882
	8,365	5,835
	894,315	230,985

4. REVENUE, OTHER INCOME, EXPENSE AND NET GAINS

An analysis of revenue is as follows:

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of properties	774,438	86,602
Sale of printed products	108,607	138,321
Others	2,905	227
	<u>885,950</u>	<u>225,150</u>
Revenue from other sources		
Rental income	5,150	4,852
Interest income from financial assets at fair value through profit or loss	3,215	983
	<u>8,365</u>	<u>5,835</u>
Total revenue	<u>894,315</u>	<u>230,985</u>

Revenue for sale of properties and printed products are recognised when properties and goods, respectively, are transferred at a point in time to customers.

An analysis of other income, expense and net gains is as follows:

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	997	622
Sales of scrap material	1,002	1,510
Gain on disposal of items of property, plant and equipment	1,719	1
Fair value change of financial assets at fair value through profit or loss	7,750	938
Professional fees incurred for potential acquisitions	–	(4,000)
Net exchange gain/(loss)	(2,640)	1,776
Impairment of accounts receivable	(500)	–
Sundries	2,975	(561)
	<u>11,303</u>	<u>286</u>

5. OPERATING PROFIT

The Group's operating profit is arrived at after charging/(crediting):

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reversal of impairment of inventories (included in cost of sales)	–	(526)
Depreciation of property, plant and equipment	5,522	6,804
Less: Amount capitalised and included in cost of inventories sold for printing business	(2,684)	(4,169)
Depreciation of property, plant and equipment included in selling and marketing expenses and administrative and other operating expenses	2,838	2,635
Cost of inventories sold	87,585	106,191
Cost of properties sold	750,791	86,592
Impairment of accounts receivable	500	–
Impairment of an other receivable	809	–
Government subsidies *	(2,027)	–

* There is no unfulfilled conditions or contingencies relating to the subsidies.

6. FINANCE COSTS

	For the six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	7,098	5,181
Interest on lease liabilities	76	105
Interest arising from revenue contracts	31,014	8,874
Total interest	38,188	14,160
Less: Interest capitalised in properties under development	(36,644)	(10,724)
	1,544	3,436

7. INCOME TAX

	For the six months ended	
	30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax – Mainland China		
Corporate income tax	62,581	4,310
Land appreciation tax	28,414	3,687
Deferred tax	<u>(85,126)</u>	<u>(8,654)</u>
Tax charge/(credit) for the period	<u><u>5,869</u></u>	<u><u>(657)</u></u>

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$8,261,000 (2019: HK\$29,139,000) and the number of ordinary shares of 5,779,196,660 (2019: weighted average number of ordinary shares of 3,531,533,245) in issue during the period.

The diluted earnings per share is equal to the basic earnings per share since there were no dilutive potential shares during both periods.

10. ACCOUNTS RECEIVABLE

The Group allows a credit period ranging from 30 days to 180 days to its trade customers of the printing business. Rental income is received in advance. Proceeds from sales of properties are received in advance or upon delivery of the completed properties to customers. For customer with long-term business relationship, a longer credit period may be granted. Accounts receivable are non-interest-bearing.

An aging analysis of the accounts receivable based on invoice date and net of loss allowance at the end of reporting period is as follows:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Within 30 days	22,655	14,764
31 to 60 days	12,628	3,021
61 to 90 days	7,127	9,675
Over 90 days	31,843	22,406
	<u>74,253</u>	<u>49,866</u>

11. ACCOUNTS PAYABLE

An ageing analysis of accounts payable at the end of the reporting period on the date of suppliers' invoices is as follows:

	At 30 September 2020 <i>HK\$'000</i> (unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Within 30 days	125,704	117,309
31 to 60 days	19,207	4,980
61 to 90 days	18,369	9,836
Over 90 days	47,675	48,057
	<u>210,955</u>	<u>180,182</u>

12. BUSINESS COMBINATION

Acquisition of a property development business

On 1 August 2019, the Group acquired the entire equity interest of the Jinjin Group, which is principally engaged in the development and sale of residential properties in Sichuan Province, the PRC. The acquisition was intended by the Group to expand its property development business segment.

According to a sale and purchase agreement entered into between the Group and the seller, the acquisition consideration of HK\$400,000,000 was to be satisfied by: (i) the allotment and issuance of 662,162,483 consideration shares of the Company at the issue price of HK\$0.21 amounting to approximately HK\$139,054,000; and (ii) the payment of approximately HK\$260,946,000. The Group also agreed to make the conditional Pro Rata Payment (as defined in note 13) for up to HK\$200,000,000 to the seller in proportion to the fulfilment of the Profit Target (as defined in note 13) or of the Delivery Target (as defined in note 13), whichever is lower, during the Relevant Periods (as defined in note 13).

Acquisition consideration:

	<i>HK\$'000</i>
Cash consideration (<i>note i</i>)	260,946
Fair value of consideration shares (<i>note ii</i>)	127,135
Fair value of contingent consideration (<i>note 13</i>)	—
	<u>388,081</u>

Notes:

- (i) As at the acquisition date and 30 September 2020, approximately HK\$39,432,000 had been withheld by the Group as retention of the seller's tax payable.
- (ii) Fair value of the consideration shares was determined with reference to the closing price of the Company's shares of HK\$0.192 per share at the acquisition date on 1 August 2019.

The fair value of the identifiable assets acquired and liabilities assumed of the Jinjin Group at the date of acquisition were as follows:

	<i>HK\$'000</i>
Properties, plant and equipment	194
Properties under development	2,505,286
Completed properties for sale	101,628
Accounts receivable	545
Prepayments, other receivables and other assets	69,725
Restricted bank balances	10,583
Cash and bank balances	9,505
Accounts payable	(191,128)
Accrued charges and other payables	(121,858)
Contract liabilities	(1,360,872)
Tax payables	(61,920)
Deferred tax liabilities	(505,839)
	<hr/>
Total identifiable net assets	455,849
Bargain purchase gain on acquisition	(67,768)
	<hr/>
	388,081

	<i>HK\$'000</i>
Bargain purchase gain on acquisition	67,768
<i>Less:</i> Transaction costs	(7,698)
	<hr/>
Net bargain purchase gain on acquisition	60,070

Net cash outflow arising on acquisition:

	<i>HK\$'000</i>
Consideration paid	221,514
<i>Add:</i> Transaction costs	7,698
<i>Less:</i> Prepayment for the acquisition during the year ended 31 March 2019	(80,000)
<i>Less:</i> Cash and bank balances acquired	(9,505)
	<hr/>
Net cash outflow	139,707

A bargain purchase gain of approximately HK\$60,070,000 was recognised. The Group measured the fair value of the properties for sale with reference to the valuation based on the residual method carried out by Grant Sherman Appraisal Limited, an independent professional valuer, at the acquisition date. The management of the Group considered that the bargain purchase gain was mainly benefited from the difference between the market price of consideration shares allotted at the date of acquisition and the contract price as well as the valuation premium arising from certain business concessionary and support measures in Mainland China prevailing during the year ended 31 March 2020.

13. CONTINGENT CONSIDERATION

In relation to the acquisition of the Jinjin Group as disclosed in note 12, the Group agreed to pay a contingent acquisition consideration of up to HK\$200,000,000 in tranches (the “Conditional Payment”) if certain profit target (the “Profit Target”) and delivery target (the “Delivery Target”) are met on or before 31 March 2021.

The Profit Target relates to the contribution of aggregate consolidated net profits by the Jinjin Group of not less than RMB200,000,000 to the consolidated financial statements of the Company from the completion date (i.e. 1 August 2019) to 31 March 2021, while the Delivery Target relates to delivering the aggregate gross floor area of not less than 550,000 square meters of the properties to the customers during the same period. In consideration for fulfilment of the Profit Target and the Delivery Target, the Group shall pay the Conditional Payment in tranches (the “Pro Rata Payment”) for the periods from (i) the completion date to 30 September 2019; (ii) 1 October 2019 to 31 March 2020; (iii) 1 April 2020 to 30 September 2020; and (iv) 1 October 2020 to 31 March 2021 (altogether the “Relevant Periods”).

The Pro Rata Payment shall be determined by (i) the product of the Conditional Payment and the accumulated completion percentage of either the Profit Target or Delivery Target (whichever is lower); and (ii) deducting the applicable tax and the Pro Rata Payment previously paid by the Group. In the event that the Profit Target and/or the Delivery Target have not been reached by 31 March 2021, the Group will have no obligation to pay the remaining balance of the Conditional Payment that has not been paid.

For the purpose of determining the Profit Target, the Jinjin Group has not contributed any accumulated net profits to the consolidated financial statements of the Company for the period from the completion date up to the end of the reporting period and has accumulated consolidated net losses of approximately RMB6.9 million. The aggregate gross floor area of the properties delivered to the customers for the period from the completion date up to the end of the reporting period amounted to approximately 128,000 square meters. Taking into account the latest available information that: (a) considerable amounts of properties under development are not expected to be delivered by the end of the Relevant Periods (i.e. 31 March 2021); and (b) the contribution from the properties to be delivered during the Relevant Periods is expected unlikely to achieve the Profit Target, the directors of the Company consider that it would be unlikely for the Jinjin Group to meet the Profit Target and the Delivery Target during the Relevant Periods and hence no provision for any Conditional Payment is required. Consequently, no Pro Rata Payment is required to be paid by the Group.

DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial performance

For the six months ended 30 September 2020, the Group recorded a consolidated revenue of approximately HK\$894 million (2019: HK\$231 million), representing a substantial increase of 287% from the last corresponding period. The significant increase in revenue was mainly attributable to the upsurge in sales of completed residential units during the period in respect of a property development business in Zigong City, Sichuan Province, the PRC, acquired by the Group in August 2019.

Consequently, the Group's gross profit increased by 45% from the last corresponding period to approximately HK\$53 million (2019: HK\$37 million). The Group's gross margin dropped to 6% (2019: 16%) of the consolidated revenue, as a result of a lower gross profit margin recorded from the residential units sold in Zigong City after taking into account the effect of fair value adjustments to the cost of properties upon the acquisition of the property development business in Zigong City in August 2019 in accordance with the prevailing accounting treatment for business combination. For illustration purpose, the Group's gross profit was maintained at approximately 25% (2019: 25%) by excluding the sales of properties.

The Group's selling and marketing expenses recorded a moderate increment to approximately HK\$17 million (2019: HK\$13 million), which was attributed to the growth in sales of residential property development business in Zigong City during the period. The administrative and other operating expenses decreased to approximately HK\$26 million (2019: HK\$34 million) resulting from the various cost savings measures adopted by the Group.

The Group's other income, expense and net gains amounted to approximately HK\$11 million (2019: HK\$0.3 million). The amount mainly included the fair value gain on mark-to-market valuation of quoted bonds of approximately HK\$8 million (2019: HK\$1 million), gain on disposal of property, plant and equipment of approximately HK\$2 million (2019: HK\$0.1 million) and net exchange loss of approximately HK\$3 million (2019: gain of approximately HK\$2 million).

The fair value loss from revaluation of investment properties amounted to approximately HK\$5 million (2019: HK\$18 million). Certain investment properties had sustained a drop in fair market valuation amidst the weak economic and consumer sentiment, despite that stable rental income continues to be generated from such properties.

The Group's finance costs recorded approximately HK\$2 million (2019: HK\$3 million), which were mainly related to the interest charged by bank borrowings to finance the general working capital of the Group during the period.

During the period, the Group recorded a profit before tax of approximately HK\$14 million (2019: HK\$28 million), which was contributed from the following operating segments and factors:

- (i) Property development – profit of approximately HK\$12 million (2019: HK\$59 million);
- (ii) Printing business – profit of approximately HK\$0.1 million (2019: HK\$0.2 million);
- (iii) Property investment – loss of approximately HK\$1 million (2019: HK\$15 million);
- (iv) Treasury – profit of approximately HK\$11 million (2019: HK\$2 million);
- (v) Net corporate expenses of approximately HK\$6 million (2019: HK\$15 million); and
- (vi) Finance costs of approximately HK\$2 million (2019: HK\$3 million).

Profit for the period attributable to owner of the Company amounted to approximately HK\$8 million (2019: HK\$29 million), and earnings per share was 0.14 HK cent (2019: 0.83 HK cent). The decrease in profit was mainly attributable to the absence of a one-off bargain purchase gain of approximately HK\$60 million attained during the corresponding period last year upon completion of acquisition of a property development business in Zigong City, Sichuan Province, the PRC, resulting in a drop in contribution from the property development segment. This was partially offset by (i) the reduction in valuation losses of certain investment properties incurred as at 30 September 2020; (ii) the increase in fair value gain on mark-to-market valuation of corporate bonds portfolio; and (iii) the various cost savings measures adopted by the Group.

Review of financial position

Regarding the Group's financial position as at 30 September 2020, total assets decreased by 10% to approximately HK\$3,770 million (31 March 2020: HK\$4,190 million). As at 30 September 2020, net current assets amounted to approximately HK\$835 million (31 March 2020: HK\$859 million), whereas current ratio deriving from the ratio of current assets to current liabilities amounted to 1.34 times (31 March 2020: 1.30 times).

The net cash inflow from operating activities was approximately HK\$0.2 million (2019: outflow of approximately HK\$84 million) and the net cash inflow from investing activities was approximately HK\$21 million (2019: outflow of approximately HK\$139 million). Taking into account the net cash outflow from financing activities of approximately HK\$199 million (2019: inflow of approximately HK\$278 million), the Group recorded a net decrease in cash and cash equivalents of approximately HK\$178 million (2019: net increase in cash and cash equivalents of approximately HK\$55 million). After accounting for the exchange gain on cash and cash equivalents of approximately HK\$4 million during the period under review, the balance of cash and cash equivalents (excluding restricted use balance of approximately HK\$18 million and any pledged cash and cash equivalents balance) amounted to approximately HK\$92 million as at 30 September 2020 (31 March 2020: HK\$266 million).

Shareholders' funds attributable to owners of the Company increased by 4% to approximately HK\$877 million (31 March 2020: HK\$842 million), representing HK\$0.15 per share (31 March 2020: HK\$0.15 per share) as at 30 September 2020. The change in equity was resulted from the net profit for the period of approximately HK\$8 million and the exchange gain of approximately HK\$27 million arising from translation of foreign operations denominated in Renminbi during the period under review.

Review of operations and business development

Property development business

The property development business involves the development, sale and trading of real estate properties in Mainland China and recorded an operating profit of approximately HK\$12 million (2019: HK\$59 million) for the period. The drop in operating profit was mainly resulted from the absence of a one-off bargain purchase gain of approximately HK\$60 million attained during the corresponding period last year upon completion of acquisition of a residential property development business in Zigong City, Sichuan Province, the PRC. The project contributed revenue of approximately HK\$774 million (2019: HK\$87 million) to the Group for the period under review, which delivered to customers residential units of gross floor area of approximately 114,000 sq m (2019: 13,000 sq m) during the period.

In view of capturing the rapid growth opportunities in the property market in Mainland China, on 1 August 2019, the Group acquired a residential property development business containing three plots of land forming part of the Zhonggang Shenhai Forest Project (中港•樂海森林項目), located in the high-tech industrial development zone of the Yanluyu District of Wolong Lake in Zigong City, Sichuan Province, the PRC (中國四川省自貢市高新技術產業開發區臥龍湖鹽鹵浴片區). The contracted acquisition consideration amounted to HK\$400 million, whereas the Group also agreed to pay a conditional payment in tranches of up to HK\$200 million to the seller in proportion to the fulfilment of the profit target or the delivery target, whichever is lower, being determined from the completion date to 31 March 2021 in accordance with the terms and conditions of the sales and purchase agreement of the acquisition. As at 30 September 2020, no conditional payment is determined to be payable by the Group to the seller pursuant to the sales and purchase agreement of the acquisition.

Despite the gross floor area of approximately 190,000 sq m being sold and delivered before the date of acquisition, the three plots of land have an aggregate remaining gross floor area of approximately 500,000 sq m available for sales recognition subsequent to 1 August 2019. As at 30 September 2020, out of this gross floor area of approximately 500,000 sq m, completed residential units with gross floor area of approximately 128,000 sq m had been delivered to customers and residential units under development with gross floor area of approximately 256,000 sq m had been presold and not yet delivered. The sales of properties recognition upon delivery of the presold residential units are anticipated to take place mainly during the financial years ending 31 March 2021 to 2023. As at 30 September 2020, the total carrying value of the completed properties for sale and properties under development in Zigong City amounted to approximately HK\$2,543 million (31 March 2020: HK\$2,863 million).

As at 30 September 2020, the Group also held 18 units of residential villas for sale at the estate Ju Hao Shan Zhuang (also known as Beverly Hills) situated in Changsha City, Hunan Province, the PRC, with total gross floor area of approximately 5,600 sq m and carrying value of approximately HK\$52 million (31 March 2020: HK\$50 million). The management has negotiated with potential customers for sales of the properties and such negotiation is yet to conclude. Taking reference to the latest regional urban planning and development of Changsha City, the management is optimistic about the prospects of these higher-end residential properties and expects to conclude the sale negotiation in a way which would bring substantial yield to the Group.

Benefiting from the expertise of our residential development projects, the Group is exploring business opportunities in the market to expand the property development business.

Printing business

The printing business includes the manufacture and sale of printed products, including art books, packaging boxes and children's books, with the production facilities located in Huizhou City, Guangdong Province, the PRC. It recorded an operating profit of approximately HK\$0.1 million (2019: HK\$0.2 million) for the period under review.

Being affected by the global economic slowdown caused by the novel coronavirus pandemic crisis, the global book printing and paper packaging market had experienced a setback on customer demand. The revenue of the printing business recorded a moderate drop to approximately HK\$109 million (2019: HK\$138 million) for the period under review. Nevertheless, the printing business strived to sustain its profit margin by adopting various cost control measures and enhancing its competitive edges in innovative design, quality management and production resources. The management also reacts promptly to mitigate the market challenges to a minimum by devising various modernized sourcing, manufacturing, distribution, logistics and market segmentation solutions.

The management remains cautiously optimistic about the recovery of growth momentum in the global book printing and paper packaging market, whereas appropriate risk management and prompt business deployment have been carried out to channel threats into growth opportunities.

Property investment business

The property investment business involves the investment and leasing of real estate properties, which recorded an operating loss of approximately HK\$1 million (2019: HK\$15 million) for the period under review. The loss was mainly attributed to the unrealised revaluation loss of certain investment properties located in Hong Kong and Mainland China of approximately HK\$5 million (2019: HK\$18 million), which their market values as at 30 September 2020 were affected by the weak market sentiment resulting from the temporary quarantine measures for novel coronavirus, despite that relatively stable rental income continues to be generated from the properties.

As at 30 September 2020, the Group held the following investment properties carried at fair value of approximately HK\$435 million (31 March 2020: HK\$434 million) and generated rental income of approximately HK\$5 million (2019: HK\$5 million) during the period:

Location	Gross Floor Area	Usage
Investment properties in Hong Kong		
Shop B, Ground Floor, Wuhu Residence, No. 111 Wuhu Street, Hunghom, Kowloon	1,014 sq ft	Commercial
Shop D, Ground Floor, Wuhu Residence, No. 111 Wuhu Street, Hunghom, Kowloon	1,293 sq ft	Commercial
Shops 3, 4, 5, Parkes Residence, No. 101 Parkes Street, Kowloon	2,090 sq ft	Commercial
Investment properties in Mainland China		
Level 6, Chengdu Digital Plaza, No. 1 Renmin South Road Fourth Portion, Wuhou District, Chengdu City, Sichuan Province, the PRC	4,255 sq m	Commercial
Units 01, 02, 03, 06 and 07, 38th Floor, R&F Yingkai Square, No. 16 Huaxia Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	895 sq m	Office

The Group remains cautiously optimistic about the prospects of the property investment business, having considered that the investment properties were fully leased out and the unrealised revaluation loss incurred was mainly affected by the weak market sentiment brought by the temporary quarantine measures as at the end of the reporting period. The portfolio of investment properties was acquired for long term investment purpose so as to provide a stable income stream to the Group. The Group will keep on monitoring the capital gain and rental yields of the portfolio of investment properties and will consider to rebalance the portfolio when suitable opportunities arise.

Treasury business

The treasury business involves the investment and trading of debts, equity and other treasury instruments, which recorded an operating profit of approximately HK\$11 million (2019: HK\$2 million) for the period under review. The portfolio of high-yield corporate bonds generated interest income of approximately HK\$3 million (2019: HK\$1 million) and contributed a fair value gain of approximately HK\$8 million (2019: HK\$1 million) during the period.

As at 30 September 2020, the Group held high-yield listed corporate bonds carried at mark-to-market valuation of approximately HK\$62 million (31 March 2020: HK\$96 million), equivalent to approximately 2% (31 March 2020: 2%) of the Group's total assets. The portfolio of corporate bonds held by the Group as at 30 September 2020 comprised bonds issued by several Hong Kong listed companies which are mainly engaged in property development related business and leasing business in Mainland China.

During the period under review, the global financial markets became stabilised from the turmoil brought by the outbreak of novel coronavirus. The corporate bond market had been recovered to a normal sentiment and the management considers that our investment in the fixed-income market will continue to provide remunerative investment returns. The Group remains cautious to monitor the investment portfolio's underlying price risk and credit risk by adopting an optimal risk-return balance investment strategy.

In order to capture opportunities emerging from the possible asset price inflation and fund investment demand brought by the lowering global interest rates, the Group is exploring expansion options into the financial and asset management services market.

Liquidity and capital resources

As at 30 September 2020, the Group's total assets amounted to approximately HK\$3,770 million (31 March 2020: HK\$4,190 million), which were financed by shareholders' funds and various credit facilities. Banking facilities are maintained to finance the Group's working capital and committed capital expenditures, which bear interest at market rate with contractual terms of repayment ranging from within one year to two years. The Group adopts a treasury policy to maximise the return on equity, which manages the funding requirements for new capital projects by considering all available options including a hybrid of debt and equity financing.

The Group mainly generated income and incurred costs in Hong Kong dollar, Renminbi and United States dollar. During the period, no financial instruments had been used for hedging purpose, and no foreign currency net investments had been hedged by currency borrowings or other hedging instruments. The Group manages the exposures of fluctuation on exchange rate and interest rate on individual transaction basis.

As at 30 September 2020, the Group's bank borrowings amounted to approximately HK\$185 million (31 March 2020: HK\$373 million) and were repayable within one year. The bank borrowings bore interest at floating rate and approximately HK\$172 million (31 March 2020: HK\$361 million) were denominated in Hong Kong dollar, approximately HK\$11 million (31 March 2020: HK\$8 million) were denominated in Renminbi and approximately HK\$2 million were denominated in United States dollar (31 March 2020: HK\$4 million). The Group's gearing ratio was 0.21 (31 March 2020: 0.44), which was calculated based on the ratio of total bank borrowings of approximately HK\$185 million (31 March 2020: HK\$373 million) to the shareholders' funds of approximately HK\$877 million (31 March 2020: HK\$842 million).

As at 30 September 2020, the Group's cash and cash equivalents balances amounted to approximately HK\$110 million (31 March 2020: HK\$421 million), which also included restricted bank balances of approximately HK\$18 million (31 March 2020: restricted bank balances of approximately HK\$36 million and pledged cash and cash equivalents of approximately HK\$120 million). Out of the Group's cash and cash equivalents balances, approximately HK\$17 million (31 March 2020: HK\$263 million) was denominated in Hong Kong dollar, approximately HK\$40 million (31 March 2020: HK\$35 million) was denominated in United States dollar, approximately HK\$51 million (31 March 2020: HK\$121 million) was denominated in Renminbi and approximately HK\$2 million (31 March 2020: HK\$2 million) was denominated in other currencies.

As at 30 September 2020, the Group had a net debt position (being bank borrowings net of non-pledged cash and cash equivalents) of approximately HK\$75 million (31 March 2020: HK\$72 million) and net gearing ratio of 0.09 (31 March 2020: 0.09) (being the ratio of net debts to the shareholders' funds). As at 30 September 2020, the Company had fully utilized the net proceeds of approximately HK\$194 million received from the rights issue completed on 13 February 2020 for repayment of bank borrowings.

Outlook

Facing the headwinds brought by the global economic contraction, geopolitical tensions and temporary quarantine measures for the novel coronavirus, the weakened business sentiment and uncertainty over a near-term economic recovery have dampened the domestic property investment market and the global trade activities. On the other hand, opportunities still emerge from the asset markets as the global low interest rates and expansionary monetary policies have provided immediate support for recovery of the economy and stabilizing the global financial market.

Through effective deployment of capital resources, the Group succeeds in refining its strategic development to channel business risks and uncertainties to growth by expanding the property development business to capture opportunities emerging from the real estate market, especially the non-first-tier cities in Mainland China with less demand-side restrictions. Our residential development project in Zigong City of Sichuan Province possessing privileged natural environment and exceptional presale record is anticipated to bring a further improvement in the financial positions of the Group in the coming financial years.

Leveraging on the effective risk management and internal control systems, we are staying particular alert on market value volatility of our investment portfolios. Anchored by decades of remarkable operation and expertise of the printing business, the Group continues to seek growth-enhancing investment opportunities in various markets.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group provided financial guarantees in respect of mortgage loans made by certain banks to certain purchasers of the properties in the PRC, either directly provided to the banks or to the housing provident fund management center who arranged the bank mortgages, which amounted to approximately HK\$1,696 million (31 March 2020: HK\$1,387 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group, including its subcontracting processing plants, employed 531 (31 March 2020: 655) staff and workers. The Group provides its employees with benefits including performance-based bonus, retirement benefits contribution, medical insurance and staff training. Also, the Company adopts a share option scheme to provide alternative means to align the employees' career goal with the Group's business strategy.

PLEDGE OF ASSETS

As at 30 September 2020, the Group pledged certain assets, including property, plant and equipment, investment properties and accounts receivable, with an aggregate carrying value of approximately HK\$321 million (31 March 2020: HK\$570 million) to secure bank facilities of the Group.

COMMITMENTS

As at 30 September 2020, the Group had capital expenditure contracted but not provided for in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment of approximately HK\$0.1 million (31 March 2020: HK\$1 million).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 September 2020.

CORPORATE GOVERNANCE

The Company has applied the principles of and has complied with all code provisions contained in the Corporate Governance Code as set out in Appendix 14 to Listing Rules throughout the six months ended 30 September 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors of listed issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. In response to specific enquiries by the Company, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2020.

REVIEW OF ACCOUNTS

The audit committee of the Board has reviewed, with management and the independent auditor of the Company, the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 September 2020, the interim report, the accounting principles and practices adopted by the Group and has discussed risk management, internal controls, and financial reporting matters.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float as required by the Listing Rules throughout the six months ended 30 September 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities which are listed and traded on the Stock Exchange (2019: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of The Stock Exchange (www.hkexnews.hk) and the Company (www.mcgroup.hk). The interim report of the Company for the six months ended 30 September 2020 containing all applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

We would like to take this opportunity to express our gratitude to our shareholders, customers and partners for their continuous support and confidence in the Group, as well as our appreciation to our executives and staff for their dedication and contribution throughout the period.

By Order of the Board
Magnus Concordia Group Limited
Li Qing
Director

Hong Kong, 28 November 2020

As at the date of this announcement, Mr. Li Qing and Ms. Au Hoi Lee Janet are the executive directors of the Company, and Mr. Lam Chi Hung Louis, Mr. Hung Kin Man and Mr. Ho Man are the independent non-executive directors of the Company.