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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)

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Magnus Concordia Group Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2021 with the corresponding comparative figures for the year ended 31 March 2020 as follows:

FINANCIAL HIGHLIGHTS

	2021	2020	Change
Revenue	HK\$2,141 million	HK\$310 million	+590%
Gross profit	HK\$118 million	HK\$55 million	+115%
Profit/(loss) for the year attributable to owners of the Company	HK\$3 million	HK\$(74) million	+104%
Earnings/(loss) per share	HK0.05 cent	HK(1.85) cents	+103%
Shareholders’ funds	HK\$899 million	HK\$842 million	+7%
Net asset value per share	HK\$0.16	HK\$0.15	+7%

RESULTS

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
Revenue	4	2,140,562	310,404
Cost of sales		<u>(2,023,055)</u>	<u>(255,852)</u>
Gross profit		117,507	54,552
Other income, expense and net losses	5	(4,770)	(30,734)
Selling and marketing expenses		(43,315)	(25,884)
Administrative and other operating expenses		(53,163)	(55,946)
Change in fair value of investment properties		(3,145)	(78,201)
Gain on bargain purchase of a property development business, net		<u>–</u>	<u>60,070</u>
Operating profit/(loss)	6	13,114	(76,143)
Finance costs	7	<u>(2,618)</u>	<u>(8,362)</u>
Profit/(loss) before tax		10,496	(84,505)
Income tax credit/(expense)	8	<u>(7,513)</u>	<u>10,790</u>
Profit/(loss) for the year		<u>2,983</u>	<u>(73,715)</u>
		HK cent	HK cents
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted	10	<u>0.05</u>	<u>(1.85)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) for the year	2,983	(73,715)
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>53,729</u>	<u>(31,837)</u>
Other comprehensive income/(loss) for the year	<u>53,729</u>	<u>(31,837)</u>
Total comprehensive income/(loss) for the year attributable to owners of the Company	<u>56,712</u>	<u>(105,552)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		32,000	40,494
Investment properties		442,045	434,440
Other non-current assets		29,442	30,258
		<u>503,487</u>	<u>505,192</u>
CURRENT ASSETS			
Inventories		23,735	43,190
Properties under development		1,742,708	2,853,687
Completed properties for sale		264,099	59,656
Accounts receivable	11	51,994	49,866
Prepayments, other receivables and other assets		288,782	161,339
Financial assets at fair value through profit or loss		42,522	96,037
Pledged cash and cash equivalents		–	120,000
Restricted bank balances		29,128	35,897
Cash and bank balances		149,220	265,502
		<u>2,592,188</u>	<u>3,685,174</u>
CURRENT LIABILITIES			
Accounts payable	12	184,830	180,182
Accrued charges and other payables		107,074	268,195
Contract liabilities		1,023,828	1,893,374
Bank borrowings		219,075	373,127
Tax payable		323,544	109,039
Lease liabilities		2,195	2,058
		<u>1,860,546</u>	<u>2,825,975</u>
NET CURRENT ASSETS		<u>731,642</u>	<u>859,199</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,235,129</u>	<u>1,364,391</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	333,887	520,660
Lease liabilities	<u>2,674</u>	<u>1,875</u>
Total non-current liabilities	<u>336,561</u>	<u>522,535</u>
Net assets	<u>898,568</u>	<u>841,856</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	577,920	577,920
Reserves	<u>320,648</u>	<u>263,936</u>
Total equity	<u>898,568</u>	<u>841,856</u>

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements.

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 Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 April 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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 certain cash and bank balances, short-term deposits, property, 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 certain 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>	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>
For the year ended						
31 March 2021						
Segment revenue						
Sales to external customers	1,927,950	194,718	10,773	–	1,975	2,135,416
Other revenue	–	–	–	5,146	–	5,146
Total revenue	<u>1,927,950</u>	<u>194,718</u>	<u>10,773</u>	<u>5,146</u>	<u>1,975</u>	<u>2,140,562</u>
EBITDA/(LBITDA)	33,559	4,343	4,808	12,606	(32,091)	23,225
Depreciation	<u>(101)</u>	<u>(7,527)</u>	<u>(159)</u>	<u>–</u>	<u>(2,324)</u>	<u>(10,111)</u>
Segment result – EBIT/(LBIT)	<u>33,458</u>	<u>(3,184)</u>	<u>4,649</u>	<u>12,606</u>	<u>(34,415)</u>	13,114
Finance costs						<u>(2,618)</u>
Profit before tax						10,496
Income tax expense						<u>(7,513)</u>
Profit for the year						<u>2,983</u>
As at 31 March 2021						
Total assets	<u>2,339,252</u>	<u>152,642</u>	<u>475,451</u>	<u>42,636</u>	<u>85,694</u>	<u>3,095,675</u>
Total liabilities	<u>1,806,585</u>	<u>120,236</u>	<u>52,862</u>	<u>217</u>	<u>217,207</u>	<u>2,197,107</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>
For the year ended						
31 March 2020						
Segment revenue						
Sales to external customers	87,138	206,761	10,385	–	1,502	305,786
Other revenue	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,618</u>	<u>–</u>	<u>4,618</u>
Total revenue	<u>87,138</u>	<u>206,761</u>	<u>10,385</u>	<u>4,618</u>	<u>1,502</u>	<u>310,404</u>
EBITDA/(LBITDA)	36,497	11,589	(77,938)	(2,584)	(30,504)	(62,940)
Depreciation	<u>(45)</u>	<u>(10,938)</u>	<u>(157)</u>	<u>–</u>	<u>(2,063)</u>	<u>(13,203)</u>
Segment result – EBIT/(LBIT)	<u>36,452</u>	<u>651</u>	<u>(78,095)</u>	<u>(2,584)</u>	<u>(32,567)</u>	<u>(76,143)</u>
Finance costs						<u>(8,362)</u>
Loss before tax						(84,505)
Income tax credit						<u>10,790</u>
Loss for the year						<u>(73,715)</u>
As at 31 March 2020						
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. Capital expenditures and non-current assets are presented by the regions where the assets are located. The segment information by geographical area is as follows:

	Revenue		Capital expenditures	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	1,968,038	123,693	2,083	3,823
Hong Kong	25,866	30,243	3,551	142,942
United States of America	80,825	84,061	–	–
United Kingdom	20,043	24,826	–	–
France	12,762	15,423	–	–
Other regions	33,028	32,158	–	–
	<u>2,140,562</u>	<u>310,404</u>	<u>5,634</u>	<u>146,765</u>
	Non-current assets			
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>		
Mainland China	137,762	161,801		
Hong Kong	365,725	343,391		
	<u>503,487</u>	<u>505,192</u>		

Information about major customers

During the year, none of the customers (2020: nil) of the Group contributing over 10% of the total revenue of the Group.

4. REVENUE

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Sale of properties	1,927,950	87,138
Sale of printed products	194,718	206,761
Others	1,975	1,502
	<u>2,124,643</u>	<u>295,401</u>
Revenue from other sources		
Rental income	10,773	10,385
Interest income from financial assets at fair value through profit or loss	5,146	4,618
	<u>15,919</u>	<u>15,003</u>
Total revenue	<u><u>2,140,562</u></u>	<u><u>310,404</u></u>

5. OTHER INCOME, EXPENSE AND NET LOSSES

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	1,279	1,702
Sales of scrap materials	1,418	2,455
Gain on disposal of items of property, plant and equipment	1,914	124
Fair value change of financial assets at fair value through profit or loss	7,491	(6,562)
Professional fees incurred for potential acquisitions	(363)	(5,600)
Write-down of other non-current asset	(660)	(7,590)
Impairment of other receivable	–	(7,565)
Impairment of prepayment	(1,185)	–
Reversal of impairment/(impairment) of completed properties for sale	135	(3,109)
Termination benefits costs	–	(4,436)
Net exchange gain/(loss)	(7,157)	895
Contingent acquisition consideration related to business combination in prior year	(7,725)	–
Sundries	83	(1,048)
	<u><u>(4,770)</u></u>	<u><u>(30,734)</u></u>

6. OPERATING PROFIT/(LOSS)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories sold	162,420	166,411
Cost of properties sold	1,859,441	87,396
Depreciation of property, plant and equipment	10,111	13,203
Less: Amount capitalised and included in cost of inventories sold for printing business	<u>(5,945)</u>	<u>(9,260)</u>
Depreciation of property, plant and equipment included in selling and marketing expenses and administrative and other operating expenses	<u>4,166</u>	<u>3,943</u>
Impairment/(reversal of impairment) of inventories	1,158	(526)
Government subsidies*	<u>(1,987)</u>	<u>–</u>

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

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	8,813	15,843
Interest on lease liabilities	134	205
Interest arising from revenue contracts	<u>42,296</u>	<u>39,257</u>
Total interest	51,243	55,305
Less: Interest capitalised in properties under development	<u>(48,625)</u>	<u>(46,943)</u>
	<u>2,618</u>	<u>8,362</u>

8. INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong		
Underprovision/(overprovision) in prior years	(4,300)	3,881
Current tax – Mainland China		
Corporate income tax		
Charge for the year	144,326	4,445
Land appreciation tax		
Charge for the year	88,705	5,084
Deferred tax	<u>(221,218)</u>	<u>(24,200)</u>
Total tax charge/(credit) for the year	<u><u>7,513</u></u>	<u><u>(10,790)</u></u>

9. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: nil). No interim dividend was declared during the year (2020: nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings (2020: loss) per share is based on profit for the year attributable to owners of the Company of HK\$2,983,000 (2020: loss of HK\$73,715,000) and the number of ordinary shares of 5,779,196,660 (2020: weighted average number of ordinary shares of 3,989,135,615) in issue during the year.

The diluted earnings (2020: loss) per share is equal to the basic earnings (2020: loss) per share since there are no dilutive potential shares in issue during both years.

11. 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 the sale 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 ageing analysis of the accounts receivable based on the invoice date and net of loss allowance at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	16,866	14,764
31 to 60 days	6,153	3,021
61 to 90 days	12,926	9,675
Over 90 days	16,049	22,406
	<u>51,994</u>	<u>49,866</u>

12. ACCOUNTS PAYABLE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	95,289	117,309
31 to 60 days	10,802	4,980
61 to 90 days	16,304	9,836
Over 90 days	62,435	48,057
	<u>184,830</u>	<u>180,182</u>

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2021 (2020: nil). No interim dividend was declared and paid during the year (2020: nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, 26 August 2021 (the “AGM”). Notice of the AGM will be published and issued to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders’ rights to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 23 August 2021 to Thursday, 26 August 2021 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, unregistered holders of shares should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 20 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial performance

For the year ended 31 March 2021, the Group recorded a consolidated revenue of approximately HK\$2,141 million (2020: HK\$310 million), representing a substantial increase of 590% from the last year. The significant increase in revenue was mainly attributable to upsurge in sales of completed residential units 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 115% from the last corresponding year to approximately HK\$118 million (2020: HK\$55 million). The Group's gross margin dropped to 5% (2020: 18%) of the consolidated revenue, as a result of lower gross 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 margin would have been approximately 23% (2020: 25%) by excluding sales of properties, the decline of which was mainly due to the adoption of the competitive pricing strategy for the printed products in order to sustain market share expansion under the weaker market sentiment caused by rising global trade tensions and increasing import tariffs.

The Group's selling and marketing expenses recorded an increment to approximately HK\$43 million (2020: HK\$26 million), which was attributed to the growth in sales of residential property development business in Zigong City during the year. The administrative and other operating expenses decreased to approximately HK\$53 million (2020: HK\$56 million) resulting from the various cost savings measures adopted by the Group.

The Group's other income, expense and net losses amounted to a net loss of approximately HK\$5 million (2020: HK\$31 million). The amount mainly included the fair value gain on mark-to-market valuation of quoted bonds portfolio of approximately HK\$7 million (2020: loss of HK\$7 million), contingent acquisition consideration related to business combination of approximately HK\$8 million (2020: nil), net exchange loss of approximately HK\$7 million (2020: gain of HK\$1 million) and gain on disposal of items of property, plant and equipment of approximately HK\$2 million (2020: HK\$0.1 million).

The fair value loss from revaluation of investment properties amounted to approximately HK\$3 million (2020: HK\$78 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 decreased to approximately HK\$3 million (2020: HK\$8 million), which was mainly due to new bank facility obtained with lower interest rate under global low interest rate environment during the year.

During the year under review, the Group recorded a profit before tax of approximately HK\$10 million (2020: loss of HK\$85 million), which was attributed to results of the following operating segments and factors:

- (i) Property development – profit of approximately HK\$33 million (2020: profit of HK\$36 million);
- (ii) Printing business – loss of approximately HK\$3 million (2020: profit of HK\$1 million);
- (iii) Property investment – profit of approximately HK\$5 million (2020: loss of HK\$78 million);
- (iv) Treasury – profit of approximately HK\$12 million (2020: loss of HK\$3 million);
- (v) Net corporate expenses and other businesses of approximately HK\$34 million (2020: HK\$33 million);
- (vi) Finance costs of approximately HK\$3 million (2020: HK\$8 million).

Profit for the year attributable to owners of the Company amounted to approximately HK\$3 million (2020: loss of HK\$74 million), and earnings per share was HK0.05 cent (2020: loss per share of HK1.85 cents). The increase in profit was mainly attributable to (i) the decrease in valuation losses of certain investment properties; (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 31 March 2021, total assets decreased by 26% to approximately HK\$3,096 million (2020: HK\$4,190 million). As at 31 March 2021, net current assets amounted to approximately HK\$732 million (2020: HK\$859 million), whereas current ratio deriving from the ratio of current assets to current liabilities amounted to 1.39 times (2020: 1.30 times).

Shareholders' funds attributable to owners of the Company increased by 7% to approximately HK\$899 million (2020: HK\$842 million), representing HK\$0.16 per share as at 31 March 2021 (2020: HK\$0.15 per share). The change in equity was resulted from the net profit for the year of approximately HK\$3 million and the Renminbi exchange gain arising from translation of foreign operations of approximately HK\$54 million during the year 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 principally in Mainland China. It recorded an operating profit of approximately HK\$33 million (2020: HK\$36 million) for the year, which was mainly attributable to sales of completed residential units in respect of a property development business in Zigong City, Sichuan Province, the PRC, during the year. Last year, the operating profit was mainly attributable to the bargain purchase gain of approximately HK\$60 million attained upon completion of acquisition of the aforesaid business, after deducting project expenses. The project contributed revenue of approximately HK\$1,928 million (2020: HK\$87 million) during the year generated from the delivery of residential units with gross floor area of approximately 258,000 square meters ("sq m") during the year (from the date of acquisition on 1 August 2019 to 31 March 2020: 14,000 sq m).

In view of capturing the rapid growth opportunities in the property market in Mainland China, the Group acquired a residential property development business containing three plots of land forming part of the Zhonggang Shenhai Forest Project (中港桑海森林項目), 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高新臥龍湖鹽鹵浴片區), on 1 August 2019. The contracted acquisition consideration amounted to HK\$400 million. The Group also agreed to pay a conditional consideration 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 sale and purchase agreement of the acquisition. As at 31 March 2021, a conditional consideration of HK\$8 million is accrued by the Group pursuant to the sale 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 31 March 2021, out of this gross floor area of approximately 500,000 sq m, completed residential units with gross floor area of approximately 272,000 sq m had been delivered to customers and residential units under development with gross floor area of approximately 165,000 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 2022 to 2023. As at 31 March 2021, the total carrying value of the completed properties for sale and properties under development in Zigong City amounted to approximately HK\$1,952 million (2020: HK\$2,863 million).

As at 31 March 2021, 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\$55 million (2020: HK\$50 million). The management has negotiated with potential customers for sales of the properties and such negotiation is yet to conclude. With 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 our production facilities located in Huizhou City, Guangdong Province, the PRC. It recorded an operating loss of approximately HK\$3 million (2020: profit of HK\$1 million) for the year 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 demand and the printing business sustained from a lower profit margin in order to maintain the market share. The revenue of the printing business recorded a drop to approximately HK\$195 million (2020: HK\$207 million) for the year under review. Nevertheless, the printing business strived to improve its profit margin by adopting various cost control measures and enhancing its competitive edge in innovative design, quality management and production resources. The management also reacts promptly to reduce the market challenges to a minimum by devising various modernised 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, and 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 profit of approximately HK\$5 million (2020: loss of approximately HK\$78 million) for the year under review. The improvement in performance was mainly attributed to the unrealised revaluation loss of the investment properties located in Hong Kong and Mainland China of approximately HK\$3 million (2020: HK\$78 million) which is significantly less than last year.

As at 31 March 2021, the Group held the following investment properties carried at fair market value of approximately HK\$442 million (2020: HK\$434 million), which contributed rental income of approximately HK\$11 million (2020: HK\$10 million) during the year:

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 prospect of the property investment business, having considered that the investment properties are fully leased out and the unrealised revaluation loss incurred was mainly resulted from the temporary quarantine measures carried out in Hong Kong and Mainland China 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 keeps on monitoring the capital gain and rental yields of the portfolio and considers to rebalance the investment 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 gain of approximately HK\$13 million (2020: loss of approximately HK\$3 million) for the year. The portfolio of high-yield corporate bonds generated interest income of approximately HK\$5 million (2020: HK\$5 million) and contributed a fair value gain of approximately HK\$7 million (2020: loss of HK\$7 million) during the year.

As at 31 March 2021, the Group held high-yield corporate bonds carried at mark-to-market valuation of approximately HK\$43 million (2020: HK\$96 million), equivalent to approximately 1% (2020: 2%) of the Group's total assets. The portfolio of corporate bonds held by the Group as at 31 March 2021 comprised bonds issued by several Hong Kong listed companies which mainly engaged in property development related business and leasing business in Mainland China.

During the year 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 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 31 March 2021, the Group's total assets amounted to approximately HK\$3,096 million (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 five 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 year, 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 31 March 2021, the Group's bank borrowings amounted to approximately HK\$219 million (2020: HK\$373 million) with approximately HK\$219 million repayable on demand or within one year (2020: HK\$373 million). The bank borrowings bore interest at floating rate, approximately HK\$205 million (2020: HK\$361 million) of which were denominated in Hong Kong dollar, approximately HK\$12 million (2020: HK\$8 million) of which were denominated in Renminbi and approximately HK\$2 million of which were denominated in United States dollar (2020: HK\$4 million). The Group's gearing ratio was 0.24 (2020: 0.44), which was calculated based on the ratio of total bank borrowings of approximately HK\$219 million (2020: HK\$373 million) to the shareholders' funds of approximately HK\$899 million (2020: HK\$842 million).

As at 31 March 2021, the Group's cash and equivalents balances amounted to approximately HK\$178 million (2020: HK\$421 million), which included restricted bank balances of approximately HK\$29 million (2020: restricted bank balances of approximately HK\$36 million and pledged cash and cash equivalents of approximately HK\$120 million). Approximately HK\$42 million (2020: HK\$263 million) of the Group's cash and cash equivalents were denominated in Hong Kong dollar, approximately HK\$61 million (2020: HK\$35 million) were denominated in United States dollar, approximately HK\$73 million (2020: HK\$121 million) were denominated in Renminbi and approximately HK\$2 million (2020: HK\$2 million) were denominated in other currencies. As at 31 March 2021, the Group had a net debt position (being bank borrowings net of non-pledged and restricted cash and cash equivalents) of approximately HK\$41 million (2020: HK\$72 million).

As at 31 March 2021, the Company had fully utilised the net proceeds amounting to approximately HK\$194 million received from the rights issue completed on 13 February 2020 for repayment of bank borrowings.

Outlook

The global economy has shown initial recovery from the setback brought by the novel coronavirus, while the growing consumption sentiment and inflationary expectation pose a concrete support to the property market and the global trade activities. On the other hand, opportunities continue to emerge from the asset markets as the global low interest rates and expansionary monetary policies have provided continuing support for recovery of the economy.

Through effective deployment of capital resources, the Group has succeeded 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 position of the Group in the coming financial years.

Leveraging on the effective risk management and internal control systems, we are staying particular alert to market value volatility of our investment portfolios and the operation of the printing business. The Group will continue to seek growth-enhancing investment opportunities in various market.

CONTINGENT LIABILITIES

As at 31 March 2021, 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 mortgage, which amounted to approximately HK\$1,818 million (2020: HK\$1,387 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group, including its subcontracting processing plants, employed 450 staff and workers (2020: 655). The Group provides its employees with benefits including performance-based bonus, retirement benefits contribution, medical insurance and staff training. Also, the Company has adopted 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 31 March 2021, the Group pledged certain assets including right-of-use assets under property, plant and equipment, owned assets under property, plant and equipment, investment properties and accounts receivable with an aggregate carrying value of approximately HK\$320 million (2020: HK\$570 million) to secure bank facilities of the Group. The bank facilities of the Group are also secured by equity interests in certain subsidiaries of the Group.

COMMITMENTS

As at 31 March 2021, the Group had capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of an equity of approximately HK\$3 million (2020: acquisition of property, plant and equipment of approximately HK\$1 million).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 March 2021.

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 the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the year ended 31 March 2021.

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 year ended 31 March 2021.

COMPETING INTERESTS

During the year ended 31 March 2021, none of the Directors or their respective close associates had any interest in a business that competes or is likely to compete with the business of the Group.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's results for the year ended 31 March 2021 as set out in this preliminary results announcement have been agreed by the Group's independent auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary results announcement.

AUDIT COMMITTEE

An audit committee has been established by the Company (the "**Audit Committee**") with clear terms of reference. The current members of the Audit Committee are three independent non-executive Directors, namely Mr. Ho Man (chairman of the Audit Committee), Mr. Lam Chi Hung Louis and Mr. Hung Kin Man.

The principal duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or independent auditor before submission to the Board; reviewing and supervising the Group's financial reporting process and its risk management and internal control systems, and reviewing the relationship with and the terms of appointment of the independent auditor and making relevant recommendation to the Board.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2021, including the accounting principles and practices adopted by the Group.

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 year ended 31 March 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed and traded on The Stock Exchange (2020: nil).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange (www.hkexnews.hk) and the Company (www.mcgroup.hk). The annual report of the Company for the year ended 31 March 2021 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 year.

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

Hong Kong, 30 June 2021

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.