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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 2021

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 2021 with the corresponding comparative figures as follows:

| FINANCIAL HIGHLIGHTS | | | |
|---|---------------------------------|---------------------|---------------|
| | For the six months ended | | |
| | 30 September | 30 September | |
| | 2021 | 2020 | Change |
| Revenue | HK\$191 million | HK\$894 million | -79% |
| Gross profit | HK\$30 million | HK\$53 million | -43% |
| (Loss)/profit attributable to owners of the Company | HK\$(97) million | HK\$8 million | -1,270% |
| (Loss)/earnings per share | (1.67) HK cents | 0.14 HK cent | -1,293% |
| | As at | | |
| | 30 September | 31 March | |
| | 2021 | 2021 | Change |
| Shareholders’ funds | HK\$813 million | HK\$899 million | -10% |
| Net asset value per share | HK\$0.14 | HK\$0.16 | -13% |

RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2021

| | | 2021 | 2020 |
|---|--------------|------------------------|-----------------|
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | 190,569 | 894,315 |
| Cost of sales | | (160,495) | (841,143) |
| Gross profit | | 30,074 | 53,172 |
| Other income, expense and net gains | 4 | 2,289 | 3,553 |
| Selling and marketing expenses | | (14,451) | (17,362) |
| Administrative and other operating expenses | | (24,728) | (26,394) |
| Impairment of stock of properties | 5 | (219,293) | – |
| Change in fair value of investment properties | | (205) | (5,045) |
| Fair value change of financial assets at fair value through profit or loss | | (462) | 7,750 |
| Operating (loss)/profit | 6 | (226,776) | 15,674 |
| Finance costs | 7 | (1,072) | (1,544) |
| (Loss)/profit before tax | | (227,848) | 14,130 |
| Income tax credit/(expense) | 8 | 131,213 | (5,869) |
| (Loss)/profit for the period | | (96,635) | 8,261 |
| | | <i>HK cents</i> | <i>HK cent</i> |
| Basic and diluted (loss)/earnings per share | 10 | (1.67) | 0.14 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

| | 2021 | 2020 |
|---|------------------------|---------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| (Loss)/profit for the period | (96,635) | 8,261 |
| Other comprehensive income | | |
| <i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences on translation of foreign operations | <u>11,008</u> | <u>26,873</u> |
| Total comprehensive (loss)/income for the period attributable to owners of the Company | <u>(85,627)</u> | <u>35,134</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2021

| | <i>Notes</i> | 30 September 2021 HK\$'000 (Unaudited) | 31 March 2021 HK\$'000 (Audited) |
|--|--------------|---|---|
| Non-current Assets | | | |
| Property, plant and equipment | | 27,066 | 32,000 |
| Investment properties | | 444,028 | 442,045 |
| Other non-current assets | | 31,203 | 29,442 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 502,297 | 503,487 |
| Current Assets | | | |
| Inventories | | 23,218 | 23,735 |
| Properties under development | | 1,721,227 | 1,742,708 |
| Completed properties for sale | | 214,215 | 264,099 |
| Accounts receivable | <i>11</i> | 68,422 | 51,994 |
| Prepayments, other receivables and other assets | | 344,305 | 288,782 |
| Financial assets at fair value through profit or loss | | 32,700 | 42,522 |
| Restricted bank balances | | 25,691 | 29,128 |
| Cash and bank balances | | 93,176 | 149,220 |
| | | <hr/> | <hr/> |
| Total current assets | | 2,522,954 | 2,592,188 |
| Current Liabilities | | | |
| Accounts payable | <i>12</i> | 185,208 | 184,830 |
| Accrued charges and other payables | | 93,129 | 107,074 |
| Contract liabilities | | 1,219,935 | 1,023,828 |
| Bank borrowings | | 201,727 | 219,075 |
| Tax payable | | 292,105 | 323,544 |
| Lease liabilities | | 1,863 | 2,195 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 1,993,967 | 1,860,546 |

| | 30 September | 31 March |
|--|------------------------|------------------|
| | 2021 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Net Current Assets | <u>528,987</u> | <u>731,642</u> |
| Total Assets Less Current Liabilities | <u>1,031,284</u> | <u>1,235,129</u> |
| Non-Current Liabilities | | |
| Deferred tax liabilities | 216,579 | 333,887 |
| Lease liabilities | <u>1,764</u> | <u>2,674</u> |
| Total non-current liabilities | <u>218,343</u> | <u>336,561</u> |
| Net assets | <u>812,941</u> | <u>898,568</u> |
| Equity | | |
| Equity attributable to owners of the Company | | |
| Share capital | 577,920 | 577,920 |
| Reserves | <u>235,021</u> | <u>320,648</u> |
| Total equity | <u>812,941</u> | <u>898,568</u> |

NOTES

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2021 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 2021.

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 2021, except for the adoption of accounting policies and disclosures as disclosed in Note 2. 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. ADOPTION OF ACCOUNTING POLICIES AND DISCLOSURES

The unaudited interim condensed consolidated financial information has been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial information for the six months ended 30 September 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

(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, which are mandatorily effective for the annual period beginning on or after 1 April 2021, for the preparation of the Group’s unaudited interim condensed consolidated financial information:

| | |
|--|---|
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | <i>Interest Rate Benchmark Reform – Phase 2</i> |
| Amendment to HKFRS 16 | <i>Covid-19-Related Concessions beyond 30 June 2021</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.

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 operating 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, and asset management |
| 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 |

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, property, plant and equipment that are managed on a group basis and the assets related to other business 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 2021 | | | | | | |
| Segment revenue | | | | | | |
| Sales to external customers | 45,808 | 137,329 | 5,483 | - | 654 | 189,274 |
| Other revenue | - | - | - | 1,295 | - | 1,295 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total revenue | <u>45,808</u> | <u>137,329</u> | <u>5,483</u> | <u>1,295</u> | <u>654</u> | <u>190,569</u> |
| (LBITDA)/EBITDA | (227,799) | 8,705 | 4,517 | 505 | (8,263) | (222,335) |
| Depreciation | (51) | (3,204) | (81) | - | (1,105) | (4,441) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Segment result – (LBIT)/EBIT | <u>(227,850)</u> | <u>5,501</u> | <u>4,436</u> | <u>505</u> | <u>(9,368)</u> | <u>(226,776)</u> |
| Finance costs | | | | | | <u>(1,072)</u> |
| Loss before tax | | | | | | (227,848) |
| Income tax credit | | | | | | <u>131,213</u> |
| Loss for the period | | | | | | <u>(96,635)</u> |

| | 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 | (51) | (4,236) | (79) | – | (1,156) | (5,522) |
| 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 | | | | | | (1,544) |
| Profit before tax | | | | | | 14,130 |
| Income tax expense | | | | | | (5,869) |
| Profit for the period | | | | | | <u>8,261</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 2021 | | | | | | |
| (unaudited) | | | | | | |
| Total assets | <u>2,303,277</u> | <u>171,504</u> | <u>479,830</u> | <u>35,327</u> | <u>35,313</u> | <u>3,025,251</u> |
| Total liabilities | <u>1,834,589</u> | <u>136,964</u> | <u>48,282</u> | <u>29</u> | <u>192,446</u> | <u>2,212,310</u> |
| As at 31 March 2021 | | | | | | |
| (audited) | | | | | | |
| 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> |

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 | |
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers | | |
| Mainland China | 71,386 | 791,276 |
| Hong Kong | 7,762 | 3,810 |
| United States of America | 55,654 | 55,043 |
| United Kingdom | 15,948 | 12,808 |
| France | 13,956 | 10,303 |
| Japan | 6,489 | 1,627 |
| Other regions | 12,596 | 11,083 |
| | <u>183,791</u> | <u>885,950</u> |
| Revenue from other sources | | |
| Mainland China | 3,440 | 3,098 |
| Hong Kong | 3,338 | 5,267 |
| | <u>6,778</u> | <u>8,365</u> |
| | <u><u>190,569</u></u> | <u><u>894,315</u></u> |

4. REVENUE, OTHER INCOME, EXPENSE AND NET GAINS

An analysis of revenue is as follows:

| | For the six months ended | |
|---|--------------------------|-----------------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers | | |
| Sale of properties | 45,808 | 774,438 |
| Sale of printed products | 137,329 | 108,607 |
| Others | 654 | 2,905 |
| | <u>183,791</u> | <u>885,950</u> |
| Revenue from other sources | | |
| Rental income | 5,483 | 5,150 |
| Interest income from financial assets at fair value through profit or loss | 1,295 | 3,215 |
| | <u>6,778</u> | <u>8,365</u> |
| Total revenue | <u><u>190,569</u></u> | <u><u>894,315</u></u> |

Revenue from the sale of goods and scraped materials is recognised at a point in time when the goods and scraped materials are transferred and the control has been passed to customers, since only at that point in time the Group has an enforceable right to payment for the goods and scraped materials delivered.

Revenue from the sale of properties is recognised when the properties have been completed and delivered to the buyers.

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

| | For the six months ended | |
|--|---------------------------------|-----------------|
| | 30 September | |
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Bank interest income | 258 | 997 |
| Sales of scrap material | 431 | 1,002 |
| Gain on disposal of items of property, plant and equipment | 2,235 | 1,719 |
| Net exchange loss | (414) | (2,640) |
| Impairment of accounts receivable | – | (500) |
| Sundries | (221) | 2,975 |
| | <u>2,289</u> | <u>3,553</u> |

5. IMPAIRMENT OF STOCK OF PROPERTIES

| | For the six months ended | |
|---|---------------------------------|-----------------|
| | 30 September | |
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Impairment of properties under development | 211,150 | – |
| Impairment of completed properties for sale | 8,143 | – |
| | <u>219,293</u> | <u>–</u> |

6. OPERATING (LOSS)/PROFIT

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

| | For the six months ended | |
|--|--------------------------|----------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment | 4,441 | 5,522 |
| <i>Less:</i> Amount capitalised and included in cost of inventories sold for printing business | <u>(2,445)</u> | <u>(2,684)</u> |
| Depreciation of property, plant and equipment included in selling and marketing expenses and administrative and other operating expenses | <u>1,996</u> | <u>2,838</u> |
| Cost of inventories sold | 114,057 | 87,585 |
| Cost of properties sold | 45,310 | 750,791 |
| Impairment of accounts receivable | – | 500 |
| Impairment of an other receivable | – | 809 |
| Government subsidies * | <u>–</u> | <u>(2,027)</u> |

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

7. FINANCE COSTS

| | For the six months ended | |
|---|--------------------------|-----------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest on bank borrowings | 2,393 | 7,098 |
| Interest on lease liabilities | 64 | 76 |
| Interest arising from revenue contracts | <u>5,938</u> | <u>31,014</u> |
| Total interest | 8,395 | 38,188 |
| <i>Less:</i> Interest capitalised in properties under development | <u>(7,323)</u> | <u>(36,644)</u> |
| | <u>1,072</u> | <u>1,544</u> |

8. INCOME TAX

| | For the six months ended | |
|------------------------------------|--------------------------|---------------------|
| | 30 September | |
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Current tax – Mainland China | | |
| Corporate income tax | 471 | 62,581 |
| Land appreciation tax | – | 28,414 |
| Overprovision in prior years | (9,177) | – |
| Deferred tax | <u>(122,507)</u> | <u>(85,126)</u> |
| Tax (credit)/charge for the period | <u><u>(131,213)</u></u> | <u><u>5,869</u></u> |

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per share (2020: earnings per share) is based on the loss for the period attributable to owners of the Company of HK\$96,635,000 (2020: profit for the period attributable to owners of the Company of HK\$8,261,000) and the number of ordinary shares of 5,779,196,660 (2020: 5,779,196,660) in issue during the period.

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

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 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 ageing 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 2021 <i>HK\$'000</i> (Unaudited) | At 31 March 2021 <i>HK\$'000</i> (Audited) |
|----------------|---|---|
| Within 30 days | 26,641 | 16,866 |
| 31 to 60 days | 15,090 | 6,153 |
| 61 to 90 days | 11,541 | 12,926 |
| Over 90 days | 15,150 | 16,049 |
| | <u>68,422</u> | <u>51,994</u> |

12. 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 2021 <i>HK\$'000</i> (Unaudited) | At 31 March 2021 <i>HK\$'000</i> (Audited) |
|----------------|---|---|
| Within 30 days | 96,375 | 95,289 |
| 31 to 60 days | 23,896 | 10,802 |
| 61 to 90 days | 11,220 | 16,304 |
| Over 90 days | 53,717 | 62,435 |
| | <u>185,208</u> | <u>184,830</u> |

DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial performance

For the six months ended 30 September 2021, the Group recorded a consolidated revenue of approximately HK\$191 million (2020: HK\$894 million), representing a decrease of 79% from the last corresponding period. As there was no scheduled bulk delivery of the presold properties in respect of the property development project in Zigong City, Sichuan Province, the People's Republic of China (the "PRC") during the period, the revenue contributed from the sales of completed residential units decreased significantly to approximately HK\$46 million when compared with revenue of approximately HK\$774 million of the last corresponding period.

Consequently, the Group's gross profit decreased by 43% from the last corresponding period to approximately HK\$30 million (2020: HK\$53 million). The Group's gross margin increased to 16% (2020: 6%) of the consolidated revenue, resulting from a higher proportion of gross margin contribution from the printing business with higher gross margin than the property development business with drop in sales of properties during the period. The printing business was able to maintain similar gross margin of last financial year after spending efforts to lower the production costs while sustaining market share expansion.

During the period, a provision for write-down of stock of properties of approximately HK\$219 million (2020: nil) was charged to the condensed consolidated income statement for the property development project in Zigong City. Liquidity issues of numerous property developers emerged in the third quarter of 2021, as well as the tightening regulatory measures had scaled down the overall real estate market in Mainland China by a significant year-on-year drop in contracted residential property sales for September 2021, especially impacted those property developers of non-first-tier cities by triggering price discounting to spur home sales and recoup cash. Moreover, the escalating construction costs inflation arising from ongoing global supply chain disruption further deteriorated the gross margin of property developers. Consequently, the estimated gross margin of our high-end residential villas and car parks in Zigong City was being particularly affected and an excess of carrying values of the properties over their recoverable amounts was resulted. Accordingly, a provision for impairment on the stock of properties was made as at 30 September 2021 in accordance with the relevant accounting policies of the Company.

The Group's selling and marketing expenses decreased to approximately HK\$14 million (2020: HK\$17 million), which was corresponded to the drop in revenue during the period. The administrative and other operating expenses decreased to approximately HK\$25 million (2020: HK\$26 million), resulting from continuing cost savings measures carried out by the Group.

The Group's other income, expense, net gains and other losses amounted to approximately HK\$2 million (2020: HK\$11 million). The amount mainly included the gain on disposal of property, plant and equipment of approximately HK\$2 million (2020: HK\$2 million), the fair value drop on mark-to-market valuation of quoted bonds of approximately HK\$0.5 million (2020: gain of approximately HK\$8 million), and net exchange loss of approximately HK\$0.4 million (2020: HK\$3 million).

The fair value loss from revaluation of investment properties as at 30 September 2021 amounted to approximately HK\$0.2 million (2020: HK\$5 million). The business and consumer sentiments are gradually recovering from the novel coronavirus pandemic crisis, which a stable rental income stream continues to be generated from the properties.

The Group's finance costs recorded approximately HK\$1 million (2020: HK\$2 million), which were mainly related to interest charged by bank borrowings to finance the general working capital of the Group during the period.

During the period, the Group recorded a loss before tax of approximately HK\$228 million (2020: profit of approximately HK\$14 million), which was attributed to the following operating segments and factors:

- (i) Property development – loss of approximately HK\$228 million (2020: profit of approximately HK\$12 million);
- (ii) Printing business – profit of approximately HK\$6 million (2020: HK\$0.1 million);
- (iii) Property investment – profit of approximately HK\$4 million (2020: loss of approximately HK\$1 million);
- (iv) Treasury – profit of approximately HK\$0.5 million (2020: HK\$11 million);
- (v) Net corporate expenses of approximately HK\$9 million (2020: HK\$6 million); and
- (vi) Finance costs of approximately HK\$1 million (2020: HK\$2 million).

Loss for the period attributable to owners of the Company amounted to approximately HK\$97 million (2020: profit of approximately HK\$8 million), and loss per share was 1.67 HK cents (2020: earnings per share of 0.14 HK cent). The turnaround of the Group's results was mainly affected by the net loss after taxation of approximately HK\$96 million (2020: profit after taxation of approximately HK\$4 million) of the property development business, resulting from the provision for write-down of stock of properties made as at 30 September 2021 for the property development project in Zigong City.

Review of financial position

Regarding the Group's financial position as at 30 September 2021, total assets decreased by 2% to approximately HK\$3,025 million (31 March 2021: HK\$3,096 million). As at 30 September 2021, net current assets amounted to approximately HK\$529 million (31 March 2021: HK\$732 million), whereas current ratio deriving from the ratio of current assets to current liabilities amounted to 1.27 times (31 March 2021: 1.39 times). Such changes were affected by the provision for write-down of stock of properties made as at 30 September 2021 for the property development project in Zigong City.

The net cash inflow from operating activities was approximately HK\$9 million (2020: inflow of approximately HK\$0.2 million) and the net cash outflow from investing activities was approximately HK\$45 million (2020: inflow of approximately HK\$21 million). Taking into account the net cash outflow from financing activities of approximately HK\$21 million (2020: HK\$199 million), the Group recorded a net decrease in cash and cash equivalents of approximately HK\$57 million (2020: HK\$178 million). After accounting for the exchange gain on cash and cash equivalents of approximately HK\$1 million during the period under review, the balance of cash and cash equivalents (excluding restricted bank balance of approximately HK\$26 million) amounted to approximately HK\$93 million as at 30 September 2021 (31 March 2021: HK\$149 million).

Shareholders' funds attributable to owners of the Company decreased by 10% to approximately HK\$813 million (31 March 2021: HK\$899 million), representing HK\$0.14 per share (31 March 2021: HK\$0.16 per share) as at 30 September 2021. The change in equity was resulted from the net loss for the period of approximately HK\$97 million and the Renminbi exchange gain arising from translation of foreign operations of approximately HK\$11 million 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 principally in Mainland China. It recorded an operating loss of approximately HK\$228 million (2020: profit of approximately HK\$12 million) for the period. The operating loss was mainly resulted from the provision for write-down of stock of properties relating to the high-end residential villas and car parks of approximately HK\$219 million (2020: nil) for the property development project in Zigong City, as being affected by the liquidity crisis of developers to recoup cash by lowering price and the escalating inflationary construction costs. The project contributed revenue of approximately HK\$46 million (2020: HK\$774 million) to the Group, which was generated from the delivery of residential units with gross floor area of approximately 3,800 square meters (“sq m”) (2020: 114,000 sq m) during the period. The performance of the business is expected to have considerable improvement in the second half of the financial year ending 31 March 2022, which there will have scheduled delivery of presold residential units at the Zigong City C1-10 land plot Yongyaju phase I with gross floor area of more than 170,000 sq m and contract sales of over HK\$1 billion will be recognized.

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•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臥龍湖鹽鹵浴片區). 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 2021, out of this gross floor area of approximately 500,000 sq m, completed residential units with gross floor area of approximately 275,800 sq m had been delivered to customers and residential units under development with gross floor area of approximately 180,000 sq m had been presold and not yet delivered. The revenue from presold residential units will be recognized upon delivery and are anticipated to take place mainly during the financial years ending 31 March 2022 to 2023. As at 30 September 2021, the total carrying value after impairment provision of the completed properties for sale and properties under development in Zigong City amounted to approximately HK\$1,880 million (31 March 2021: HK\$1,952 million).

As at 30 September 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 (31 March 2021: HK\$55 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 bring substantial yield to the Group in the coming financial years.

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\$6 million (2020: HK\$0.1 million) for the period under review.

After spending efforts to lower the production costs while sustaining market share expansion, the revenue of the printing business recorded an increase to approximately HK\$137 million (2020: HK\$109 million) for the period under review. A profit margin similar to last financial year was being maintained by adopting various cost control measures and by 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 growth momentum in the global book printing and paper packaging markets, 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\$4 million (2020: loss of approximately HK\$1 million) for the period under review. The profit was mainly attributed to the rental income of approximately HK\$5 million (2020: HK\$5 million) generated from the investment properties located in Hong Kong and Mainland China. During the period, the fair value loss from revaluation of investment properties as at 30 September 2021 amounted to approximately HK\$0.2 million (2020: HK\$5 million).

As at 30 September 2021, the Group held the following investment properties carried at fair market value of approximately HK\$444 million (31 March 2021: HK\$442 million):

| 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. 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 change and rental yields of the portfolio and considers to rebalance the investment portfolio when ideal opportunities arise.

Treasury business

The treasury business involves the investment and trading of debts, equity and other treasury instruments, as well as the licensed regulated activities namely advising on securities (Type 4) and asset management (Type 9) under the Securities and Future Ordinance (Chapter 571 of the Law of Hong Kong) in Hong Kong commenced during the period. An operating profit of approximately HK\$0.5 million (2020: HK\$11 million) was recorded for the period under review. The portfolio of high-yield corporate bonds generated interest income of approximately HK\$1 million (2020: HK\$3 million) and recorded a fair value loss of approximately HK\$0.5 million (2020: gain of approximately HK\$8 million) during the period.

As at 30 September 2021, the Group held high-yield listed corporate bonds carried at mark-to-market valuation of approximately HK\$33 million (31 March 2021: HK\$43 million), equivalent to approximately 1% (31 March 2021: 1%) of the Group's total assets. The portfolio of corporate bonds held by the Group as at 30 September 2021 comprised bonds issued by several Hong Kong listed companies which mainly engaged in property development related business in Mainland China.

Although the corporate bond market had been temporarily affected by the liquidity issues of numerous property developers, 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 in the Hong Kong asset management market emerging from being a leading global financial hub with wealth management connect in the Greater Bay Area, the Group is exploring into the financial and asset management services markets.

Liquidity and capital resources

As at 30 September 2021, the Group's total assets amounted to approximately HK\$3,025 million (31 March 2021: HK\$3,096 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 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 2021, the Group's bank borrowings amounted to approximately HK\$202 million (31 March 2021: HK\$219 million) and were repayable on demand or within one year. The bank borrowings bore interest at floating rate, approximately HK\$190 million (31 March 2021: HK\$205 million) of which were denominated in Hong Kong dollar, approximately HK\$11 million (31 March 2021: HK\$12 million) of which were denominated in Renminbi and approximately HK\$1 million (31 March 2021: HK\$2 million) of which were denominated in United States dollar. The Group's gearing ratio was 0.25 (31 March 2021: 0.24), which was calculated based on the ratio of total bank borrowings of approximately HK\$202 million (31 March 2021: HK\$219 million) to the shareholders' funds of approximately HK\$813 million (31 March 2021: HK\$899 million).

As at 30 September 2021, the Group's cash and cash equivalents balance amounted to approximately HK\$119 million (31 March 2021: HK\$178 million), which included restricted bank balance of approximately HK\$26 million (31 March 2021: HK\$29 million). Approximately HK\$27 million (31 March 2021: HK\$42 million) of the Group's cash and cash equivalents were denominated in Hong Kong dollar, approximately HK\$23 million (31 March 2021: HK\$61 million) were denominated in United States dollar, approximately HK\$68 million (31 March 2021: HK\$73 million) were denominated in Renminbi and approximately HK\$1 million (31 March 2021: HK\$2 million) were denominated in other currencies. As at 30 September 2021, the Group had a net debt position (being bank borrowings net of cash and cash equivalents) of approximately HK\$83 million (31 March 2021: HK\$41 million).

Outlook

The post-pandemic global economic recovery continues while the supply chain disruption and the inflationary expectation brought uncertainty and have weakened the momentum. Central banks worldwide are trying to avoid drastic interest rate raising and unexpected liquidity tightening in order to boost employment recovery and long-term growth. Consequently, affluent capital is still available in the equity market to capture investment opportunities emerged from global innovation and various asset classes.

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. Although the recent liquidity issues of numerous property developers in Mainland China have caused temporary disruption to the real estate market and unavoidably to our residential development project in Zigong City of Sichuan Province, we are optimistic that the project's competitive advantage in possessing privileged natural environment and the scheduled bulk delivery of presold properties in the second half of the financial year ending 31 March 2022 will bring improvement to the financial position of the Group.

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

CONTINGENT LIABILITIES

As at 30 September 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\$1,868 million (31 March 2021: HK\$1,818 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, the Group, including its subcontracting processing plants, employed 308 staff and workers (31 March 2021: 450). 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 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\$323 million (31 March 2021: HK\$320 million) to secure bank facilities of the Group. The bank facilities of the Group are also secured by charges over equity interests in certain subsidiaries of the Group.

COMMITMENTS

As at 30 September 2021, the Group did not have capital expenditure contracted for but not provided for in the condensed consolidated financial statements (31 March 2021: approximately HK\$3 million in respect of acquisition of an equity).

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 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 six months ended 30 September 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 six months ended 30 September 2021.

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 2021, 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 maintains sufficient public float as required by the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2021, 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 (2020: 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 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 period.

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

Hong Kong, 29 November 2021

As at the date of this announcement, Mr. Li Qing, Ms. Au Hoi Lee Janet and Ms. Zeng Zhu 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.