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 2023

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 2023 with the corresponding comparative figures as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended		
	30 September 2023	30 September 2022	**Change**
Revenue	**HK$176 million**	HK$144 million	**22%**
Gross profit	**HK$31 million**	HK$20 million	**55%**
Loss attributable to owners of the Company	**HK$(54) million**	HK$(173) million	**-69%**
Loss per share	**(0.94) HK cents**	(2.99) HK cents	**-69%**

	As at		
	30 September 2023	31 March 2023	**Change**
Shareholders' funds	**HK$208 million**	HK$265 million	**-22%**
Net asset value per share	**HK$0.04**	HK$0.05	**-20%**

RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2023

	Notes	**2023** ***HK$'000*** **(Unaudited)**	2022 *HK$'000* (Unaudited)
Revenue	*4*	**175,981**	143,680
Cost of sales		**(145,341)**	(123,351)
Gross profit		**30,640**	20,329
Other income, expense and net gains/losses	*4*	**(2,793)**	1,524
Selling and marketing expenses		**(8,958)**	(12,164)
Administrative and other operating expenses		**(21,937)**	(26,246)
Impairment of stock of properties	*5*	**(38,401)**	(153,489)
Impairment of accounts receivable		**(651)**	(612)
Change in fair value of investment properties		**(8,639)**	(7,083)
Fair value change of financial assets at fair value through profit or loss		**(497)**	(654)
Operating loss	*6*	**(51,236)**	(178,395)
Finance costs	*7*	**(5,117)**	(964)
Loss before tax		**(56,353)**	(179,359)
Income tax credit	*8*	**1,921**	6,632
Loss for the period		**(54,432)**	(172,727)
		HK cents	*HK cents*
Basic and diluted loss per share	*9*	**(0.94)**	(2.99)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(54,432)**	(172,727)
Other comprehensive loss		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,326)**	(39,503)
Total comprehensive loss for the period attributable to owners of the Company	**(57,758)**	(212,230)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2023

	Notes	**30 September 2023 *HK$'000* (Unaudited)**	31 March 2023 *HK$'000* (Audited)
Non-current Assets			
Property, plant and equipment		**15,089**	17,415
Investment properties		**383,227**	398,771
Other non-current assets		**22,347**	24,162
Total non-current assets		**420,663**	440,348
Current Assets			
Inventories		**7,270**	11,219
Completed properties for sale		**292,458**	410,186
Accounts receivable	*11*	**59,641**	41,897
Prepayments, other receivables and other assets		**44,602**	60,950
Financial assets at fair value through profit or loss		**791**	1,288
Restricted bank balances		**8**	883
Cash and bank balances		**42,081**	37,002
Total current assets		**446,851**	563,425
Current Liabilities			
Accounts payable	*12*	**105,741**	130,896
Accrued charges and other payables		**44,564**	50,148
Contract liabilities		**11,624**	19,028
Bank and other borrowings		**146,148**	165,862
Tax payable		**294,109**	309,777
Lease liabilities		**487**	1,100
Total current liabilities		**602,673**	676,811
Net Current Liabilities		**(155,822)**	(113,386)
Total Assets Less Current Liabilities		**264,841**	326,962

	30 September 2023	31 March 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current Liabilities		
Bank and other borrowings	**26,275**	22,980
Deferred tax liabilities	**31,003**	38,661
Total non-current liabilities	**57,278**	61,641
Net assets	**207,563**	265,321
Equity		
Equity attributable to owners of the Company		
Share capital	**577,920**	577,920
Deficit	**(370,357)**	(312,599)
Total equity	**207,563**	265,321

NOTES

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2023 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 2023.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2023, 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 have been issued but are not yet effective.

Going Concern basis

During the six months ended 30 September 2023, the Group had a net loss of HK$54,432,000. In addition, the Group's bank borrowings with the aggregate amount of HK$146,148,000 as at 30 September 2023 contain a repayment on demand clause and included in the aforesaid bank borrowings there were certain bank borrowings of HK$135,418,000 with financial covenants breached during the six months ended 30 September 2023. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The condensed consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 30 September 2023 and subsequently thereto up to the date when the condensed consolidated financial statements are authorised for issue. In order to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date when the condensed consolidated financial statements are authorised for issue, which include, but are not limited to, the followings:

(i) in relation to the borrowings that breached the financial covenants during the six months ended 30 September 2023 are classified as current liabilities, the Group is actively negotiating with the bank to remedy or waive the breached covenants of the bank borrowing of HK$135,418,000;

(ii) the Group has actively carried out promotional activities to attract more customers to purchase the completed properties in order to increase the sale proceeds through sales in the coming twelve months. The directors of the Company thus are of the opinion that the property development segment will be able to generate operating cash inflow to the Group in the coming twelve months;

(iii) the Group will also continue to seek for other alternative financing and bank borrowing to finance the settlement of the existing financial obligations and future operating and capital expenditure; and

(iv) the Group will also continue to seek for other alternative to increase its working capital such as disposing of the Group's investment properties, if needed.

On the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Group's current and forecasted cash positions, the directors of the Company are optimistic that the Group will be able to meet in full the Group's financial obligations as they fall due for the twelve months from 30 September 2023. Accordingly, the condensed consolidated financial statements of the Group have been prepared on the going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

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 applicable during the current period, the accounting policies and methods of computation used in the unaudited interim condensed consolidated financial information for the six months ended 30 September 2023 are the same as those adopted in the Group's annual financial statements for the year ended 31 March 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impact on application of Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

The amendments had no material impact on the interim condensed consolidated financial statements 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

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**"), representing segment results and earnings or loss before interest expense, tax, depreciation and amortisation ("**EBITDA**" or "**LBITDA**").

Unallocated assets mainly include certain cash and bank balances, short-term deposits, property, plant and equipment that are managed on a group basis.

Unallocated liabilities mainly include certain bank and other borrowings that are managed on a group basis and other unallocated liabilities.

The segment information by business lines is as follows:

	Property development *HK$'000*	Printing *HK$'000*	Property investment *HK$'000*	Treasury *HK$'000*	Total *HK$'000*
For the six months ended 30 September 2023 (unaudited)					
Segment revenue *(note 4)*					
Sales to external customers	**88,887**	**83,628**	**3,466**	**–**	**175,981**
Total revenue	**88,887**	**83,628**	**3,466**	**–**	**175,981**
(LBITDA)/EBITDA	**(41,292)**	**8,001**	**(8,288)**	**(827)**	**(42,406)**
Depreciation	**–**	**(1,761)**	**(79)**	**–**	**(1,840)**
Segment result — (LBIT)/EBIT	**(41,292)**	**6,240**	**(8,367)**	**(827)**	**(44,246)**
Unallocated expenses, net					**(6,990)**
Finance costs					**(5,117)**
Loss before tax					**(56,353)**
Income tax credit					**1,921**
Loss for the period					**(54,432)**

	Property development HK$'000	Printing HK$'000	Property investment HK$'000	Treasury HK$'000	Total HK$'000
For the six months ended 30 September 2022 (unaudited)					
Segment revenue *(note 4)*					
Sales to external customers	35,314	105,630	2,736	–	143,680
Total revenue	35,314	105,630	2,736	–	143,680
(LBITDA)/EBITDA	(162,165)	5,755	(6,162)	(1,248)	(163,820)
Depreciation	(30)	(2,529)	(80)	–	(2,639)
Segment result — (LBIT)/EBIT	(162,195)	3,226	(6,242)	(1,248)	(166,459)
Unallocated expenses, net					(11,936)
Finance costs					(964)
Loss before tax					(179,359)
Income tax credit					6,632
Loss for the period					(172,727)

	Property development ***HK$'000***	**Printing** ***HK$'000***	**Property investment** ***HK$'000***	**Treasury** ***HK$'000***	**Total** ***HK$'000***
As at 30 September 2023 (unaudited)					
Reportable segment assets	**345,100**	**95,529**	**409,056**	**1,028**	**850,713**
Unallocated assets					**16,801**
Consolidated total assets					**867,514**
Reportable segment liabilities	**421,923**	**82,326**	**37,305**	**71**	**541,625**
Unallocated liabilities					**118,326**
Consolidated total liabilities					**659,951**
As at 31 March 2023 (audited)					
Reportable segment assets	470,226	88,474	427,833	1,586	988,119
Unallocated assets					15,654
Consolidated total assets					1,003,773
Reportable segment liabilities	491,003	81,717	39,354	88	612,162
Unallocated liabilities					126,290
Consolidated total liabilities					738,452

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	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Mainland China	**91,354**	48,695
Hong Kong	**1,650**	4,068
United States of America	**45,522**	46,317
United Kingdom	**16,381**	19,370
France	**7,095**	6,259
Japan	**3,507**	5,222
Other regions	**7,006**	11,013
	172,515	140,944
Revenue from other sources		
Mainland China	**1,301**	673
Hong Kong	**2,165**	2,063
	3,466	2,736
Total revenue	**175,981**	143,680

4. REVENUE, OTHER INCOME, EXPENSE AND NET GAINS

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of properties	**88,887**	35,314
Sale of printed products	**83,628**	105,630
	172,515	140,944
Revenue from other sources		
Rental income	**3,466**	2,736
Total revenue	**175,981**	143,680

Revenue from the sale of goods is recognised at a point in time when the goods 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 delivered.

Revenue from the sale of properties is recognised at a point in time when the completed properties are delivered to the buyers.

Included in the Group's revenue from sale of properties are revenue from sales of properties developed by the Group amounting to HK$52,278,000 (2022: HK$35,314,000).

During the six months ended 30 September 2022, certain tenants of investment properties located in the People's Republic of China ("**PRC**") were not financially able to settle the rental. Due to this situation, the respective rental of HK$1,961,000 was not recognised as rental income during the six months ended 30 September 2022.

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

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**295**	49
Sales of scrap material	**23**	124
Gain on disposal of items of property, plant and equipment	**1,477**	80
Net exchange gain	**843**	2,123
Write-down of other non-current assets	**(1,815)**	(1,320)
Sundries	**(3,616)**	468
	(2,793)	1,524

5. IMPAIRMENT OF STOCK OF PROPERTIES

An analysis of impairment of stock of properties is as follow:

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Impairment of properties under development	**–**	64,682
Impairment of completed properties for sale	**38,401**	88,807
	38,401	153,489

6. OPERATING LOSS

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

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**2,448**	3,328
Less: Amount included in cost of inventories sold for printing business	**(812)**	(1,236)
Depreciation of property, plant and equipment included in selling and marketing expenses and administrative and other operating expenses	**1,636**	2,092
Cost of inventories sold	**64,577**	85,522
Cost of properties sold	**80,420**	37,480
Government subsidies *	**–**	259

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

7. FINANCE COSTS

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**5,107**	2,554
Interest on lease liabilities	**10**	27
Interest arising from revenue contracts	**–**	1,365
Total interests	**5,117**	3,946
Less: Interest capitalised in properties under development	**–**	(2,982)
Total finance costs	**5,117**	964

8. INCOME TAX

	For the six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax — Mainland China		
Corporate income tax	**4,544**	95
Land appreciation tax	**471**	–
Overprovision in prior years	**–**	(5,747)
Deferred tax	**(6,936)**	(980)
Tax credit for the period	**(1,921)**	(6,632)

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company of HK$54,432,000 (2022: HK$172,727,000) and the number of ordinary shares of 5,779,196,660 (2022: 5,779,196,660) in issue during the period.

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

10. DIVIDENDS

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (2022: nil).

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 (mainly arising from printing business) based on invoices date and net of loss allowance at the end of reporting period is as follows:

	At 30 September 2023 *HK$'000* **(Unaudited)**	At 31 March 2023 *HK$'000* (Audited)
Within 30 days	**9,994**	11,841
31 to 60 days	**15,608**	10,171
61 to 90 days	**15,051**	5,208
Over 90 days	**18,988**	14,677
	59,641	41,897

12. ACCOUNTS PAYABLE

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

	At 30 September 2023 *HK$'000* **(Unaudited)**	At 31 March 2023 *HK$'000* (Audited)
Within 30 days	**45,786**	72,194
31 to 60 days	**14,833**	15,973
61 to 90 days	**10,077**	6,482
Over 90 days	**35,045**	36,247
	105,741	130,896

13. EVENT AFTER THE REPORTING PERIOD

In respect of the bank borrowing of HK$112,000,000 which the Group breached the financial covenant during the period, the Group has obtained a one-off waiver from the bank on 24 November 2023 for the financial covenant of the aforesaid bank borrowing that throughout the life of the facility, the Group agrees and undertakes to the bank that its consolidated tangible net worth should not at any time be less than a certain level and its consolidated total borrowings shall not at any time exceed certain percent of consolidated tangible net worth. This one-off waiver only applies to the Group's announcement of unaudited interim report for the six months ended 30 September 2023. The repayment schedules of the borrowing and the repayment on demand clause remain unchanged.

DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2023 (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial performance

For the six months ended 30 September 2023, the Group recorded a consolidated revenue of approximately HK$176 million (2022: HK$144 million), representing an increase of 22% from the last corresponding period. The revenue of the printing business recorded a decrease to approximately HK$84 million (2022: HK$106 million) for the period, resulting from the soft demand of printed products caused by the decelerating economic growth momentum under the high inflation in Europe and the United States of America during the period. However, the revenue contributed by the sales of completed residential units in respect of the property development project in Zigong City, Sichuan Province, the People's Republic of China (the "**PRC**") and sales of residential villas at the estate Ju Hao Shan Zhuang (also known as Beverly Hills) situated in Changsha City, Hunan Province, the PRC increased to approximately HK$89 million when compared with revenue of approximately HK$35 million for the last corresponding period.

Consequently, the Group's gross profit increased by 55% from the last corresponding period to approximately HK$31 million (2022: HK$20 million). The Group's gross margin increased to 17% (2022: 14%) of the consolidated revenue, resulting from a higher gross margin contribution from the residential villas sold in Changsha City. Also, the printing business was able to expand its gross margin to 23% (2022: 19%) after spending efforts to lower the production costs.

During the period, a provision for impairment of stock of properties of approximately HK$38 million (2022: HK$153 million) was charged to the consolidated income statement for the property development project in Zigong City. Liquidity issues of numerous property developers continued to arise in the current interim period, and the market-cooling regulatory measures had scaled down the overall real estate market in Mainland China leading to a year-on-year drop in contracted residential property sales. Property developers of non-first-tier cities reacted by offering price discount to spur property sales and recoup cash. Consequently, the estimated gross margin of our high-end residential villas and car parks in Zigong City was particularly affected, resulting in an excess of carrying values of the properties over their recoverable amounts. Accordingly, a provision for impairment on the stock of properties was made as at 30 September 2023 in accordance with the relevant accounting policies of the Company.

The Group's selling and marketing expenses as well as the administrative and other operating expenses dropped to approximately HK$9 million (2022: HK$12 million) and approximately HK$22 million (2022: HK$26 million) respectively, which was a result of the various cost control measures.

The Group's other income, expense and net gains/losses, impairment of accounts receivable and fair value change of financial assets at fair value through profit or loss amounted to approximately HK$4 million (2022: HK$0.3 million). The amount mainly included the gain on disposal of property, plant and equipment of approximately HK$1.5 million (2022: HK$0.1 million), the fair value drop on mark-to-market valuation of quoted bonds of approximately HK$0.5 million (2022: HK$0.7 million), the write-down of other non-current assets of approximately HK$1.8 million (2022: HK$1.3 million), the impairment of accounts receivable of approximately HK$0.7 million (2022: HK$0.6 million), and net exchange gain of approximately HK$0.8 million (2022: HK$2 million).

The fair value loss from revaluation of investment properties as at 30 September 2023 amounted to approximately HK$9 million (2022: HK$7 million). The market values of certain investment properties as at 30 September 2023 were being affected by the weak market sentiment resulting from the slow economic recovery, despite that stable rental income continues to be generated from such properties.

The Group recorded finance costs of approximately HK$5 million (2022: HK$1 million), which were mainly related to interest charged by bank borrowings to finance the general working capital of the Group during the period. The increase in finance costs was mainly due to the rising Hong Kong Interbank Offered Rate and no interest capitalisation in the properties under development.

During the period, the Group recorded a loss before tax of approximately HK$56 million (2022: HK$179 million), which was attributed to the following operating segments and factors:

(i) Property development — loss of approximately HK$41 million (2022: HK$162 million);

(ii) Printing — profit of approximately HK$6 million (2022: HK$3 million);

(iii) Property investment — loss of approximately HK$8 million (2022: HK$6 million);

(iv) Treasury — loss of approximately HK$1 million (2022: HK$1 million);

(v) Net unallocated expenses of approximately HK$7 million (2022: HK$12 million); and

(vi) Finance costs of approximately HK$5 million (2022: HK$1 million).

Loss for the period attributable to owners of the Company amounted to approximately HK$54 million (2022: HK$173 million), and loss per share was 0.94 HK cents (2022: 2.99 HK cents). The decrease in the Group's loss was mainly due to the reduction in net loss after taxation to approximately HK$42 million (2022: HK$158 million) of the property development business, resulting from the drop of the provision for impairment of stock of properties made as at 30 September 2023 for the property development project in Zigong City.

Review of financial position

Regarding the Group's financial position as at 30 September 2023, total assets decreased by 14% to approximately HK$868 million (31 March 2023: HK$1,004 million). As at 30 September 2023, net current liabilities amounted to approximately HK$156 million (31 March 2023: HK$113 million), whereas current ratio deriving from the ratio of current assets to current liabilities amounted to 0.74 times (31 March 2023: 0.83 times). Such changes were affected by the provision for impairment of stock of properties made as at 30 September 2023 for the property development project in Zigong City.

The net cash inflow from operating activities was approximately HK$23 million (2022: net cash outflow of approximately HK$20 million) and the net cash inflow from investing activities was approximately HK$2 million (2022: HK$6 million). Taking into account the net cash outflow from financing activities of approximately HK$20 million (2022: HK$9 million), the Group recorded a net increase in cash and cash equivalents of approximately HK$5 million (2022: net decrease in cash and cash equivalents of approximately HK$23 million). After accounting for the exchange loss on cash and cash equivalents of approximately HK$0.2 million during the period under review, the balance of cash and cash equivalents amounted to approximately HK$42 million as at 30 September 2023 (31 March 2023: HK$37 million).

Shareholders' funds attributable to owners of the Company decreased by 22% to approximately HK$208 million (31 March 2023: HK$265 million), representing HK$0.04 per share (31 March 2023: HK$0.05 per share) as at 30 September 2023. The change in equity was a result of the net loss for the period of approximately HK$54 million and the Renminbi exchange loss arising from translation of foreign operations of approximately HK$3 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$41 million (2022: HK$162 million) for the period. The operating loss was mainly resulted from the provision for impairment of stock of properties relating to the high-end residential villas and car parks of approximately HK$38 million (2022: HK$153 million) for the property development project in Zigong City, which was affected by the liquidity crisis of numerous property developers to recoup cash by lowering price. The project contributed revenue of approximately HK$52 million (2022: HK$35 million) to the Group, which was generated from the delivery of residential units with gross floor area of approximately 4,300 square meters ("**sq m**") (2022: 2,200 sq m) during the period.

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•燊海森林項目）, which is 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 2023, out of this gross floor area of approximately 500,000 sq m, completed residential units with gross floor area of approximately 479,000 sq m had been delivered to customers. As at 30 September 2023, the total carrying value after impairment provision of the completed properties for sale and properties under development in Zigong City amounted to approximately HK$282 million (31 March 2023: HK$366 million).

As at 30 September 2023, the Group also held 4 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 1,200 sq m and carrying value of approximately HK$11 million (31 March 2023: HK$44 million). 11 units of residential villas with gross floor area of approximately 3,500 sq m had been sold during the period and contributed revenue of approximately HK$37 million (2022: nil) to the Group. The management has negotiated with potential customers for sales of the remaining properties and some negotiations are close to conclusion. 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 (2022: HK$3 million) for the period under review.

Under the influence of the soft demand for printed products resulting from the decelerating economic growth momentum under the high inflationary environment in Europe and the United States of America, the revenue of the printing business recorded a decrease to approximately HK$84 million (2022: HK$106 million) for the period under review. However, the gross margin compared to last corresponding period was being improved by adopting various cost control measures and by enhancing its competitive edge in innovative design, quality management and production resources. The management also reacted 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 loss of approximately HK$8 million (2022: HK$6 million) for the period under review. The operating loss was mainly attributed to the unrealised revaluation loss of the investment properties located in Hong Kong and Mainland China of approximately HK$9 million (2022: HK$7 million), which their market values as at 30 September 2023 were affected by the weak market sentiment resulting from the slow economic recovery.

As at 30 September 2023, the Group held the following investment properties carried at fair market value of approximately HK$383 million (31 March 2023: HK$399 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 square feet ("**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) in Hong Kong. An operating loss of approximately HK$1 million (2022: HK$1 million) was recorded for the period under review. The operating loss was mainly attributed to a fair value loss of financial assets of approximately HK$0.5 million (2022: HK$0.7 million) during the period.

As at 30 September 2023, the Group held high-yield listed corporate bonds carried at mark-to-market valuation of approximately HK$0.8 million (31 March 2023: HK$1 million), equivalent to approximately 0.1% (31 March 2023: 0.1%) of the Group's total assets. The corporate bonds held by the Group as at 30 September 2023 represented bonds issued by a Hong Kong listed property developer with maturity within one year.

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 within the Greater Bay Area, the Group is exploring into the financial and asset management services markets.

Liquidity and capital resources

As at 30 September 2023, the Group's total assets amounted to approximately HK$868 million (31 March 2023: HK$1,004 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 four 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 2023, the Group's bank and other borrowings amounted to approximately HK$172 million (31 March 2023: HK$189 million) including bank borrowings of approximately HK$146 million (31 March 2023: HK$161 million) which were repayable on demand or within one year. The bank borrowings bore interest at floating rate, approximately HK$135 million (31 March 2023: HK$157 million) of which were denominated in Hong Kong dollar, approximately HK$11 million (31 March 2023: HK$3 million) of which were denominated in Renminbi and approximately HK$0.4 million (31 March 2023: HK$1 million) of which were denominated in United States dollar. The Group's gearing ratio was 0.83 (31 March 2023: 0.71), which was calculated based on the ratio of total bank and other borrowings of approximately HK$172 million (31 March 2023: HK$189 million) to the shareholders' funds of approximately HK$208 million (31 March 2023: HK$265 million).

As at 30 September 2023, the Group's cash and cash equivalents and restricted bank balances amounted to approximately HK$42 million (31 March 2023: HK$37 million) and approximately HK$0.01 million (31 March 2023: HK$1 million) respectively. Approximately HK$18 million (31 March 2023: HK$20 million) of the Group's cash and cash equivalents and restricted bank balances were denominated in Hong Kong dollar, approximately HK$2 million (31 March 2023: HK$3 million) were denominated in United States dollar, approximately HK$22 million (31 March 2023: HK$15 million) were denominated in Renminbi and approximately HK$0.6 million (31 March 2023: HK$0.2 million) were denominated in other currencies. As at 30 September 2023, the Group had a net debt position (being bank and other borrowings net of cash and cash equivalents and restricted bank balances) of approximately HK$130 million (31 March 2023: HK$151 million).

Outlook

Looking ahead to 2024, it is expected that inflation will continue to remain at a high level, and interest rates will also remain relatively high. Global economic growth is projected to continue slowing down, with some major economies facing risks of recession. Despite the Chinese government's implementation of measures to support stable economic and real estate development, it will take time for consumer housing market to be reinvigorated and confidence in economic recovery to be restored, thus posing challenges to Mainland China's economic growth.

The Group believes that investors will maintain a cautious and conservative approach, only considering high-quality and impactful investments and seizing opportunities that have a solid foundation in the market to achieve risk diversification. Changes in investment sentiment will also result in fluctuations in the evaluation of real estate investment and fixed income investment returns.

The Group remains optimistic about the economic benefits to be brought by our property development projects competitive edges through its expertise resources and privileged natural environment. Leveraging on the effective risk management and internal control systems, the Group is staying particular alert to market value volatility of our investment portfolios. Supported by decades of remarkable operation of the printing business, we are seeking further business development in growth-enhancing investment opportunities of various industries.

CONTINGENT LIABILITIES

As at 30 September 2023, the Group has 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 which arranged the bank mortgage amounting to approximately HK$770 million (31 March 2023: HK$1,061 million) in aggregate.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, the Group employed 128 staff and workers (31 March 2023: 157). 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 30 September 2023, 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$288 million (31 March 2023: HK$297 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 30 September 2023, the Group did not have capital expenditure contracted for but not provided for in the consolidated financial statements (31 March 2023: Nil).

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 2023.

EVENT AFTER THE REPORTING PERIOD

In respect of the bank borrowing of HK$112,000,000 which the Group breached the financial covenant during the period, the Group has obtained a one-off waiver from the bank on 24 November 2023 for the financial covenant of the aforesaid bank borrowing that throughout the life of the facility, the Group agrees and undertakes to the bank that its consolidated tangible net worth should not at any time be less than a certain level and its consolidated total borrowings shall not at any time exceed certain percent of consolidated tangible net worth. This one-off waiver only applies to the Group's announcement of unaudited interim report for the six months ended 30 September 2023. The repayment schedules of the borrowing and the repayment on demand clause remain unchanged.

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 2023.

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 2023.

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 2023, 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 the knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float as required by the Listing Rules throughout the six months ended 30 September 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2023, 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 (2022: 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.mcgrouphk.com). The interim report of the Company for the six months ended 30 September 2023 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
Mou Li
Executive Director

Hong Kong, 30 November 2023

As at the date of this announcement, the executive directors of the Company are Ms. Mou Li and Mr. Liang Fan, and the independent non-executive directors of the Company are Mr. Xu Jianfeng, Mr. Wang Zhengjun and Mr. Liu Ying Shun.