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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 2019**

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 2019 with the corresponding comparative figures as follows:

| <b>FINANCIAL HIGHLIGHTS</b>                             |                                 |                     |               |
|---|---------------------------------|---------------------|---------------|
|   | <b>For the six months ended</b> |                     |               |
|   | <b>30 September</b>             | <b>30 September</b> |               |
|   | <b>2019</b>                     | <b>2018</b>         | <b>Change</b> |
| Revenue   | <b>HK\$231 million</b>          | HK\$115 million     | +100%         |
| Gross profit  | <b>HK\$37 million</b>           | HK\$34 million      | +9%           |
| Profit attributable to equity holders<br>of the Company | <b>HK\$31 million</b>           | HK\$4 million       | +672%         |
| Earnings per share                                      | <b>0.87 HK cent</b>             | 0.12 HK cent        | +625%         |
|   | <b>As at</b>                    |                     |               |
|   | <b>30 September</b>             | <b>31 March</b>     |               |
|   | <b>2019</b>                     | <b>2019</b>         | <b>Change</b> |
| Shareholders’ funds                                     | <b>HK\$757 million</b>          | HK\$627 million     | +21%          |
| Net asset value per share                               | <b>HK\$0.19</b>                 | HK\$0.19            | –             |

## RESULTS

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 September 2019

|  |              | 2019                 | 2018                |
|--|--------------|----------------------|---------------------|
|  | <i>Notes</i> | <i>HK\$'000</i>      | <i>HK\$'000</i>     |
| Revenue  | 4            | 230,985              | 115,259             |
| Cost of sales  |              | <u>(194,295)</u>     | <u>(81,553)</u>     |
| Gross profit   |              | 36,690               | 33,706              |
| Other income, expense and net gains                            | 4            | 286                  | 2,444               |
| Selling and marketing expenses                                 |              | (12,552)             | (7,868)             |
| Administrative and other operating expenses                    |              | (34,306)             | (29,151)            |
| Change in fair value of investment properties                  |              | (18,270)             | 7,416               |
| Gain on bargain purchase of a property<br>development business | 12           | <u>61,685</u>        | <u>–</u>            |
| Operating profit   | 5            | 33,533               | 6,547               |
| Finance costs  | 6            | <u>(3,436)</u>       | <u>(2,311)</u>      |
| Profit before tax  |              | 30,097               | 4,236               |
| Tax  | 7            | <u>657</u>           | <u>(250)</u>        |
| <b>Profit for the period</b>                                   |              | <b><u>30,754</u></b> | <b><u>3,986</u></b> |
|  |              | <i>HK cent</i>       | <i>HK cent</i>      |
| Basic and diluted earnings per share                           | 9            | <b><u>0.87</u></b>   | <b><u>0.12</u></b>  |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 September 2019

|   | <b>2019</b>         | 2018                   |
|---|---------------------|------------------------|
|   | <b>HK\$'000</b>     | HK\$'000               |
| <b>Profit for the period</b>  | <b>30,754</b>       | 3,986                  |
| Other comprehensive loss  |                     |                        |
| <i>Other comprehensive loss that may be reclassified to the profit or loss in subsequent periods:</i> |                     |                        |
| Exchange differences on translation of foreign operations   | <u>(27,895)</u>     | <u>(19,545)</u>        |
| <b>Total comprehensive income/(loss) for the period</b>   | <b><u>2,859</u></b> | <b><u>(15,559)</u></b> |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

|   |              | <b>30 September</b>    | 31 March               |
|---|--------------|------------------------|------------------------|
|   |              | <b>2019</b>            | 2019                   |
|   | <i>Notes</i> | <b><i>HK\$'000</i></b> | <b><i>HK\$'000</i></b> |
|   |              | <b>(Unaudited)</b>     | <b>(Audited)</b>       |
| <b>Non-current assets</b>                                     |              |                        |                        |
| Property, plant and equipment                                 |              | <b>45,502</b>          | 40,891                 |
| Investment properties   |              | <b>494,818</b>         | 522,644                |
| Prepaid land lease payments                                   |              | –                      | 3,051                  |
| Other non-current assets                                      |              | <b>37,694</b>          | 38,493                 |
| Prepayment for acquisition of a property development business | <i>12</i>    | –                      | 80,000                 |
| <b>Total non-current assets</b>                               |              | <b>578,014</b>         | 685,079                |
| <b>Current assets</b>   |              |                        |                        |
| Inventories   |              | <b>26,454</b>          | 46,252                 |
| Properties under development                                  |              | <b>2,544,030</b>       | –                      |
| Completed properties for sale                                 |              | <b>64,606</b>          | 53,707                 |
| Accounts receivable   | <i>10</i>    | <b>64,675</b>          | 58,654                 |
| Prepayments, other receivables and other assets               |              | <b>155,281</b>         | 23,265                 |
| Financial assets at fair value through profit or loss         |              | <b>103,553</b>         | 31,671                 |
| Pledged cash and cash equivalents                             |              | <b>94,200</b>          | –                      |
| Cash and bank balances  |              | <b>130,106</b>         | 67,945                 |
| <b>Total current assets</b>                                   |              | <b>3,182,905</b>       | 281,494                |
| <b>Current liabilities</b>                                    |              |                        |                        |
| Accounts payable  | <i>11</i>    | <b>282,015</b>         | 45,839                 |
| Accrued charges and other payables                            |              | <b>291,927</b>         | 44,679                 |
| Contract liabilities  |              | <b>1,376,117</b>       | 6,382                  |
| Bank borrowings   |              | <b>402,466</b>         | 71,099                 |
| Tax payable   |              | <b>83,961</b>          | 48,428                 |
| Lease liabilities   |              | <b>1,964</b>           | –                      |
| <b>Total current liabilities</b>                              |              | <b>2,438,450</b>       | 216,427                |

|  | <b>30 September</b>    | 31 March              |
|--|------------------------|-----------------------|
|  | <b>2019</b>            | 2019                  |
|  | <b><i>HK\$'000</i></b> | <i>HK\$'000</i>       |
|  | <b>(Unaudited)</b>     | (Audited)             |
| <b>Net current assets</b>                    | <u>744,455</u>         | <u>65,067</u>         |
| <b>Total assets less current liabilities</b> | <u>1,322,469</u>       | <u>750,146</u>        |
| <b>Non-current liabilities</b>               |                        |                       |
| Bank borrowings                              | 14,000                 | 63,532                |
| Deferred tax liabilities                     | 549,467                | 59,981                |
| Lease liabilities                            | <u>2,375</u>           | <u>–</u>              |
| <b>Total non-current liabilities</b>         | <u>565,842</u>         | <u>123,513</u>        |
| <b>Net assets</b>                            | <u><u>756,627</u></u>  | <u><u>626,633</u></u> |
| <b>Equity</b>                                |                        |                       |
| Share capital                                | 397,297                | 331,081               |
| Reserves                                     | <u>359,330</u>         | <u>295,552</u>        |
| <b>Total equity</b>                          | <u><u>756,627</u></u>  | <u><u>626,633</u></u> |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 September 2019 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 2019.

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 2019, except for the changes in and 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. CHANGES IN AND ADOPTION OF ACCOUNTING POLICIES AND DISCLOSURES

### (a) Adoption of the new and revised HKFRSs

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

|  |   |
|--|---|
| Amendments to HKFRS 9                  | Prepayment Features with Negative Compensation          |
| HKFRS 16                               | Leases  |
| Amendments to HKAS 19                  | Plan Amendment, Curtailment or Settlement               |
| Amendments to HKAS 28                  | Long-term Interests in Associates and Joint Ventures    |
| HK(IFRIC)-Int 23                       | Uncertainty over Income Tax Treatments                  |
| Annual Improvements<br>2015-2017 Cycle | Amendments to HKFRS 3, HKFRS 11, HKAS 12<br>and HKAS 23 |

Other than as explained below regarding the impact of HKFRS 16 Leases, the adoption of the new and revised HKFRSs has had no material impact on the unaudited interim condensed consolidated financial information of the Group.

### ***Adoption of HKFRS 16***

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continues to be reported under HKAS 17.

### ***New definition of a lease***

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g. property management services for leases of properties) as a single lease component.

### ***As a lessee – Leases previously classified as operating leases***

#### *Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for various items of properties and vehicle. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

#### *Impacts on transition*

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and were presented separately in the statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date and were included in property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease



The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

|   | <i>HK\$'000</i>     |
|---|---------------------|
|   | (Unaudited)         |
| <b>Assets</b>   |                     |
| Increase in right-of-use assets recorded in property, plant and equipment | 6,287               |
| Decrease in prepaid land lease payments                                   | <u>(3,051)</u>      |
| Increase in total assets  | <u><u>3,236</u></u> |
| <b>Liability</b>  |                     |
| Increase in lease liabilities   | <u><u>3,236</u></u> |

***Summary of new accounting policies***

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

### *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

### **(b) Adoption of the new accounting policies in relation to acquisition of a property development business**

#### ***Properties under development***

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion.

Development cost of property comprises cost of land use rights, construction costs, borrowing costs capitalised for qualifying assets, professional fees and other attributable costs incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfill a contract comprise the development cost and land use rights cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

### ***Revenue recognition***

Revenue from sales of properties is recognised when the properties have been completed and delivered to the buyers and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. As a practical expedient, an entity does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

### ***Mainland China Land Appreciation Tax (“LAT”)***

LAT is levied at prevailing progressive rates on the appreciation of land value, being the proceeds from the sale of properties less deductible costs.

#### **(c) Significant judgment**

##### ***LAT***

A subsidiary of the Group engaging in the property development business in Mainland China is subject to LAT. The Group has not yet finalised its LAT calculation and payments for certain of its property development project with a tax authority and the deductibility of expenditures incurred for each project is uncertain. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The Group recognises these liabilities based on management’s best estimates with reference to the past experience, tax regulations and correspondences with local tax authority. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the consolidated financial statements in period in which such determination is made.

### **3. SEGMENT INFORMATION**

#### **(a) 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:

|                                   |   |   |
|-----------------------------------|---|---|
| Printing                          | – | Manufacture and sale of printed products                                      |
| Property investment               | – | Investment and leasing of real estate properties                              |
| Property development              | – | Development, sale and trading of real estate properties                       |
| Securities investment and trading | – | Investment and trading of listed debt and equity instruments                  |
| Others and corporate              | – | Other non-reportable business activities and operating segments and corporate |

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 amortization ("EBITDA or LBITDA").

The segment information by business lines is as follows:

|                                 | Printing<br><i>HK\$'000</i> | Property<br>investment<br><i>HK\$'000</i> | Property<br>development<br><i>HK\$'000</i> | Securities<br>investment<br>and trading<br><i>HK\$'000</i> | Others and<br>corporate<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------|-----------------------------|---|--|--|--|--------------------------|
| <b>For the six months ended</b> |                             |   |  |  |  |                          |
| <b>30 September 2019</b>        |                             |   |  |  |  |                          |
| Segment revenue                 |                             |   |  |  |  |                          |
| Sales to external customers     | 138,321                     | 4,852                                     | 86,602                                     | –  | 227  | 230,002                  |
| Other revenue                   | –                           | –   | –  | 983  | –  | 983                      |
| Total revenue                   | <u>138,321</u>              | <u>4,852</u>                              | <u>86,602</u>                              | <u>983</u>   | <u>227</u>                                 | <u>230,985</u>           |
| EBITDA/(LBITDA)                 | 6,007                       | (14,869)                                  | 60,802                                     | 1,958  | (13,561)                                   | 40,337                   |
| Depreciation                    | <u>(5,812)</u>              | <u>(79)</u>                               | <u>(12)</u>                                | <u>–</u>   | <u>(901)</u>                               | <u>(6,804)</u>           |
| Segment result – EBIT/(LBIT)    | <u>195</u>                  | <u>(14,948)</u>                           | <u>60,790</u>                              | <u>1,958</u>   | <u>(14,462)</u>                            | 33,533                   |
| Finance costs                   |                             |   |  |  |  | <u>(3,436)</u>           |
| Profit before tax               |                             |   |  |  |  | 30,097                   |
| Tax credit                      |                             |   |  |  |  | <u>657</u>               |
| Profit for the period           |                             |   |  |  |  | <u>30,754</u>            |

|                                 | Printing<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Property<br>development<br>HK\$'000 | Securities<br>investment<br>and trading<br>HK\$'000 | Others and<br>corporate<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------|----------------------|------------------------------------|-------------------------------------|---|-------------------------------------|-------------------|
| <b>For the six months ended</b> |                      |                                    |                                     |   |                                     |                   |
| <b>30 September 2018</b>        |                      |                                    |                                     |   |                                     |                   |
| Segment revenue                 |                      |                                    |                                     |   |                                     |                   |
| Sales to external customers     | 106,575              | 6,037                              | –                                   | –   | –                                   | 112,612           |
| Other revenue                   | –                    | –                                  | –                                   | 2,647   | –                                   | 2,647             |
|                                 | <u>106,575</u>       | <u>6,037</u>                       | <u>–</u>                            | <u>2,647</u>  | <u>–</u>                            | <u>115,259</u>    |
| Total revenue                   | <u>106,575</u>       | <u>6,037</u>                       | <u>–</u>                            | <u>2,647</u>  | <u>–</u>                            | <u>115,259</u>    |
| EBITDA/(LBITDA)                 | 6,426                | 12,703                             | –                                   | 1,396   | (7,479)                             | 13,046            |
| Depreciation and amortization   | (6,359)              | –                                  | –                                   | –   | (140)                               | (6,499)           |
|                                 | <u>(6,359)</u>       | <u>–</u>                           | <u>–</u>                            | <u>–</u>  | <u>(140)</u>                        | <u>(6,499)</u>    |
| Segment result – EBIT/(LBIT)    | <u>67</u>            | <u>12,703</u>                      | <u>–</u>                            | <u>1,396</u>  | <u>(7,619)</u>                      | <u>6,547</u>      |
| Finance costs                   |                      |                                    |                                     |   |                                     | (2,311)           |
| Profit before tax               |                      |                                    |                                     |   |                                     | 4,236             |
| Tax                             |                      |                                    |                                     |   |                                     | (250)             |
| Profit for the period           |                      |                                    |                                     |   |                                     | <u>3,986</u>      |
| <b>As at 30 September 2019</b>  |                      |                                    |                                     |   |                                     |                   |
| <b>(unaudited)</b>              |                      |                                    |                                     |   |                                     |                   |
| Total assets                    | <u>157,722</u>       | <u>536,401</u>                     | <u>2,785,023</u>                    | <u>197,873</u>                                      | <u>83,900</u>                       | <u>3,760,919</u>  |
| Total liabilities               | <u>106,057</u>       | <u>71,814</u>                      | <u>2,306,350</u>                    | <u>194,310</u>                                      | <u>325,761</u>                      | <u>3,004,292</u>  |
| <b>As at 31 March 2019</b>      |                      |                                    |                                     |   |                                     |                   |
| <b>(audited)</b>                |                      |                                    |                                     |   |                                     |                   |
| Total assets                    | <u>178,816</u>       | <u>562,919</u>                     | <u>158,085</u>                      | <u>55,202</u>                                       | <u>11,551</u>                       | <u>996,573</u>    |
| Total liabilities               | <u>123,605</u>       | <u>164,883</u>                     | <u>7,953</u>                        | <u>20</u>   | <u>43,479</u>                       | <u>339,940</u>    |

(b) **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:

|                                       | <b>For the six months ended</b> |                 |
|---------------------------------------|---------------------------------|-----------------|
|                                       | <b>30 September</b>             |                 |
|                                       | <b>2019</b>                     | <b>2018</b>     |
|                                       | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| Revenue from contracts with customers |                                 |                 |
| Hong Kong                             | <b>15,086</b>                   | 6,572           |
| Mainland China                        | <b>103,779</b>                  | 7,306           |
| United States of America              | <b>61,744</b>                   | 51,931          |
| United Kingdom                        | <b>18,166</b>                   | 14,281          |
| Germany                               | <b>2,659</b>                    | 3,142           |
| France                                | <b>8,541</b>                    | 10,154          |
| Other regions                         | <b>15,175</b>                   | 13,189          |
|                                       | <b>225,150</b>                  | 106,575         |
| Revenue from other sources            |                                 |                 |
| Hong Kong                             | <b>2,882</b>                    | 5,687           |
| Mainland China                        | <b>2,953</b>                    | 2,997           |
|                                       | <b>5,835</b>                    | 8,684           |
|                                       | <b>230,985</b>                  | 115,259         |

#### 4. REVENUE, OTHER INCOME, EXPENSE AND NET GAINS

An analysis of revenue is as follows:

|   | For the six months ended |                 |
|---|--------------------------|-----------------|
|   | 30 September             |                 |
|   | 2019                     | 2018            |
|   | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| Revenue from contracts with customers   |                          |                 |
| Sales of printed products   | 138,321                  | 106,575         |
| Sales of properties   | 86,602                   | –               |
| Others  | 227                      | –               |
| Revenue from other sources  |                          |                 |
| Rental income   | 4,852                    | 6,037           |
| Interest income from financial assets at fair value<br>through profit or loss | 983                      | 2,647           |
|   | <u>230,985</u>           | <u>115,259</u>  |

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

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

|  | For the six months ended |                 |
|--|--------------------------|-----------------|
|  | 30 September             |                 |
|  | 2019                     | 2018            |
|  | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| Interest income from bank deposits                                       | 622                      | 387             |
| Sales of scraped material  | 1,510                    | 1,287           |
| Gain on disposal of property, plant and equipment                        | 1                        | 3,102           |
| Net gain/(loss) of financial assets at fair value through profit or loss | 938                      | (1,443)         |
| Professional fees incurred for potential acquisitions                    | (4,000)                  | (4,859)         |
| Net exchange gain  | 1,776                    | 3,603           |
| Sundries   | (561)                    | 367             |
|  | <u>286</u>               | <u>2,444</u>    |

## 5. OPERATING PROFIT

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

|   | <b>For the six months ended</b> |                 |
|---|---------------------------------|-----------------|
|   | <b>30 September</b>             |                 |
|   | <b>2019</b>                     | 2018            |
|   | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| Reversal of provision for impairment of inventories   | (526)                           | (479)           |
| Depreciation of property, plant and equipment   | 6,804                           | 6,440           |
| <i>Less: Amount capitalized and included in cost of inventories sold for printing business</i>          | <u>(4,169)</u>                  | <u>(5,219)</u>  |
| Depreciation included in selling and marketing expenses and administrative and other operating expenses | <u>2,635</u>                    | <u>1,221</u>    |
| Amortization of prepaid lease payments  | –                               | 59              |
| Cost of inventories sold  | 106,191                         | 80,821          |
| Cost of properties sold   | <u>86,592</u>                   | <u>–</u>        |

## 6. FINANCE COSTS

|  | <b>For the six months ended</b> |                 |
|--|---------------------------------|-----------------|
|  | <b>30 September</b>             |                 |
|  | <b>2019</b>                     | 2018            |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b> |
| Interest expenses on bank borrowings                             | 5,181                           | 2,311           |
| Interest expenses on lease liabilities                           | 105                             | –               |
| Interest expense arising from revenue contracts                  | <u>8,874</u>                    | <u>–</u>        |
| Total interest expenses  | 14,160                          | 2,311           |
| <i>Less: Amounts capitalized in properties under development</i> | <u>(10,724)</u>                 | <u>–</u>        |
|  | <u>3,436</u>                    | <u>2,311</u>    |



## 7. TAX

|  | For the six months ended |                   |
|--|--------------------------|-------------------|
|  | 30 September             |                   |
|  | 2019                     | 2018              |
|  | HK\$'000                 | HK\$'000          |
| Current tax – the People’s Republic of China (“PRC”) |                          |                   |
| Corporate income tax                                 | 4,310                    | 175               |
| LAT  | 3,687                    | –                 |
| Overprovision in prior years                         | –                        | (69)              |
| Deferred tax   | <u>(8,654)</u>           | <u>144</u>        |
| Tax (credit)/charge for the period                   | <u><u>(657)</u></u>      | <u><u>250</u></u> |

## 8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: nil).

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the period of HK\$30,754,000 (2018: HK\$3,986,000) and the weighted average number of ordinary shares of 3,531,533,245 (2018: 3,310,812,417) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2019 and 2018 in the calculation of diluted earnings per share as there were no dilutive events during the periods ended 30 September 2019 and 2018.

## 10. ACCOUNTS RECEIVABLE

The Group allows a credit period ranging from 30 days to 180 days to its trade customers of the printing business. Rental income is received in advance. Proceeds from sales of properties are received in advance or upon delivery of the completed properties to customers. The ageing analysis of the accounts receivable based on date of invoices and net of provision for doubtful debt is as follows:

|               | At<br><b>30 September</b><br><b>2019</b><br><i>HK\$'000</i><br><b>(Unaudited)</b> | At<br>31 March<br>2019<br><i>HK\$'000</i><br>(Audited) |
|---------------|---|--|
| Below 30 days | <b>16,085</b>   | 24,513   |
| 31 to 60 days | <b>16,005</b>   | 8,546  |
| 61 to 90 days | <b>15,663</b>   | 12,736   |
| Over 90 days  | <b>16,922</b>   | 12,859   |
|               | <hr/> <b>64,675</b> <hr/>   | <hr/> 58,654 <hr/>                                     |

## 11. ACCOUNTS PAYABLE

The following is an ageing analysis of accounts payable presented based on the date of suppliers' invoices.

|               | At<br><b>30 September</b><br><b>2019</b><br><i>HK\$'000</i><br><b>(Unaudited)</b> | At<br>31 March<br>2019<br><i>HK\$'000</i><br>(Audited) |
|---------------|---|--|
| Below 30 days | <b>223,990</b>  | 20,487   |
| 31 to 60 days | <b>16,703</b>   | 7,070  |
| 61 to 90 days | <b>12,179</b>   | 8,353  |
| Over 90 days  | <b>29,143</b>   | 9,929  |
|               | <hr/> <b>282,015</b> <hr/>  | <hr/> 45,839 <hr/>                                     |

## 12. BUSINESS COMBINATION

### Acquisition of a property development business

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

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

Acquisition consideration:

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

*Notes:*

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

- (iii) The Group has not recognized any amount of contingent consideration. The directors of the Company consider that it would be unlikely for the Jinjin Group to meet the Profit Target and the Delivery Target during the Relevant Periods, after taking into account the latest available information that: (a) considerable amounts of properties under development are not expected to be delivered to the customers by the end of the Relevant Periods (i.e. 31 March 2021); and (b) the contribution from the properties to be delivered to the customers during the Relevant Periods is expected unlikely to achieve the Profit Target (Note 13).

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

|   | <i>HK\$'000</i> |
|---|-----------------|
| Properties, plant and equipment                 | 194             |
| Properties under development                    | 2,560,220       |
| Completed properties held for sale              | 101,628         |
| Accounts receivable                             | 545             |
| Prepayments, other receivables and other assets | 69,725          |
| Restricted bank balances                        | 10,583          |
| Cash and bank balances                          | 9,505           |
| Accounts payable                                | (264,834)       |
| Accrued charges and other payables              | (119,982)       |
| Contract liabilities                            | (1,360,872)     |
| Tax payables                                    | (33,328)        |
| Deferred tax liabilities                        | (515,920)       |
|   | <hr/>           |
| Total identifiable net assets*                  | 457,464         |
| Bargain purchase gain on acquisition            | (69,383)        |
|   | <hr/>           |
|   | 388,081         |
|   | <hr/> <hr/>     |

Net gain arising on acquisition:

|  | <i>HK\$'000</i> |
|--|-----------------|
| Bargain purchase gain on acquisition     | 69,383          |
| <i>Less:</i> Transaction costs           | (7,698)         |
|  | <hr/>           |
| Net bargain purchase gain on acquisition | 61,685          |
|  | <hr/> <hr/>     |

Net cash outflow arising on acquisition:

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

\* The assessments of the fair values of the identifiable assets and liabilities of the Jinjin Group are still undergoing and the information of the fair values of the identifiable assets and liabilities is provisional. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ending 31 March 2020.

A bargain purchase gain of approximately HK\$61,685,000 was recognised during the period. The Group measured the fair value of the properties under development and held for sale with reference to the valuation based on the residual method carried out by Grant Sherman Appraisal Limited, an independent professional valuer, at the acquisition date. The management of the Group considered that the bargain purchase gain was mainly benefited from the difference between the market price of consideration shares allotted at the date of acquisition and the contract price as well as the valuation premium arising from certain business concessionary and support measures in Mainland China prevailing during the current period.

### 13. CONTINGENT CONSIDERATION

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

The Profit Target relates to the contribution of aggregate consolidated net profits by the Jinjin Group of not less than RMB200 million to the consolidated financial statements of the Company from the completion date (i.e. 1 August 2019) to 31 March 2021, while the Delivery Target relates to delivering the aggregate gross floor area of not less than 550,000 sq m of the properties to the customers during the same period. In consideration for fulfilment of the Profit Target and the Delivery Target, the Group shall pay the Conditional Payment in tranches (the “Pro Rata Payment”) for the periods from (i) the completion date to 30 September 2019; (ii) 1 October 2019 to 31 March 2020; (iii) 1 April 2020 to 30 September 2020; and (iv) 1 October 2020 to 31 March 2021 (altogether the “Relevant Periods”). The Pro Rata Payment shall be determined by (i) the product of the Conditional Payment and the accumulated completion percentage of either the Profit Target or Delivery Target (whichever is lower); and (ii) deducting the applicable tax and the Pro Rata Payment previously paid by the Group. In the event that the Profit Target and/or the Delivery Target have not been reached by 31 March 2021, the Group will have no obligation to pay the remaining balance of the Conditional Payment that has not been paid.

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

#### **14. EVENT AFTER THE REPORTING PERIOD**

On 28 October 2019, the Company announced a proposal to raise a gross proceed of up to approximately HK\$219 million, before expenses, by way of a rights issue to shareholders (the “Rights Issue”). The Rights Issue involves the issue of up to 1,986,487,450 rights shares at a subscription price of HK\$0.11 per rights share on the basis of one rights share for every two existing ordinary shares.

Pursuant to the underwriting agreement of the Rights Issue (the “Underwriting Agreement”), Huijin Dingsheng International Holding Co., Ltd. (“Huijin”), a substantial shareholder of the Company, shall underwrite such number of rights shares not more than 28% of the total enlarged issued share capital of the Company at completion of the Rights Issue, which is expected to be not less than 294,294,001 rights shares and not more than 675,405,734 rights shares.

The transaction contemplated under the Underwriting Agreement constitutes a connected transaction of the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and independent shareholders’ approval requirements. The Rights Issue is conditional upon obtaining the independent shareholders’ approval of the Underwriting Agreement and the Underwriting Agreement becoming unconditional. Huijin and its associates shall abstain from voting in respect of the resolution relating to the Underwriting Agreement at the extraordinary general meeting of the Company to be held at 6 January 2020. The Rights Issue has not yet completed as of the date of this announcement.

## **DIVIDEND**

The Board has decided not to recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Review of financial performance**

For the six months ended 30 September 2019, the Group recorded a consolidated revenue of approximately HK\$231 million (2018: HK\$115 million), representing a substantial increase of 100% from the last corresponding period. The growth in revenue was mainly contributed from the development and sales of residential units in Zigong City, Sichuan Province, the PRC, a new property development business acquired by the Group in August 2019 with remaining saleable gross floor area of approximately 500,000 sq m, as well as the surge in revenue from sales of printed products for new overseas orders benefiting from the printing business' competitive edges in innovative design, quality management and new production facilities.

Consequently, the Group's gross profit increased by 9% from the corresponding last period to approximately HK\$37 million (2018: HK\$34 million). The Group's gross margin dropped to 16% (2018: 29%) of the consolidated revenue, as a result of minimal gross profit margin recorded by the residential units sold in Zigong City, Sichuan Province, the PRC subsequent to the business acquisition which was completed on 1 August 2019, of which market values upon the acquisition were recognised as the cost of properties in accordance with the prevailing accounting treatment for business combination. For illustration purpose, the Group's gross profit would have been approximately 25% (2018: 29%) by excluding sales of properties, which the decline was being affected by the competitive pricing strategy for the printed products so as to sustain market share expansion under the weaker market sentiment amid rising global trade tensions and increasing import tariffs.

The Group's selling and marketing expenses as well as administrative and other operating expenses recorded a moderate increment to approximately HK\$13 million (2018: HK\$8 million) and HK\$34 million (2018: HK\$29 million), respectively. The increment was corresponded to the surge in sales activities, as well as the acquisition of the new residential property development business in Zigong City, Sichuan Province, the PRC, during the period. The acquisition of the new business has contributed a gain on bargain purchase of approximately HK\$62 million (2018: Nil) during the period, which was mainly benefited from the difference between the market price of consideration shares allotted at the date of acquisition and the contract price as well as the valuation premium arising from certain business concessionary and support measures in Mainland China prevailing during the period.

The Group's other income, expense and net gain amounted to approximately HK\$0.3 million (2018: HK\$2 million). The amount mainly included the fees incurred for potential acquisitions of approximately HK\$4 million (2018: HK\$5 million), the fair value gain on mark-to-market valuation of quoted bonds of approximately HK\$1 million (2018: loss of HK\$1 million) and net exchange gain of approximately HK\$2 million (2018: HK\$4 million).

The fair value loss from revaluation of investment properties amounted to approximately HK\$18 million (2018: gain of HK\$7 million). Certain investment properties had sustained a drop in fair market valuation amidst the current unstable economic and operational environment, despite relatively stable rental income is continuing to be derived from such properties.

The Group's finance costs increased to approximately HK\$3 million (2018: HK\$2 million), which was mainly due to the new banking facilities granted to finance the working capital of the Group during the period.

During the period, the Group recorded a profit before tax of approximately HK\$30 million (2018: HK\$4 million), which was contributed from the following operating segments and factors:

- (i) Printing business – profit of approximately HK\$0.2 million (2018: HK\$0.1 million);
- (ii) Property investment – loss of approximately HK\$15 million (2018: profit of HK\$13 million);



- (iii) Property development – profit of approximately HK\$61 million (2018: nil);
- (iv) Securities investment and trading – profit of approximately HK\$2 million (2018: HK\$1 million);
- (v) Net corporate expenses of approximately HK\$15 million (2018: HK\$8 million), which included net exchange gain of approximately HK\$2 million (2018: HK\$4 million) and professional fees incurred for potential acquisitions of approximately HK\$4 million (2018: HK\$5 million); and
- (vi) Finance costs of approximately HK\$3 million (2018: HK\$2 million).

Profit for the period attributable to equity holders of the Company amounted to approximately HK\$31 million (2018: HK\$4 million), and earnings per share was 0.87 HK cent (2018: 0.12 HK cent). The increase in profit was mainly attributable to the higher contribution from the property development business which is partially offset by loss arising from the property investment business and other costs brought by the Group's business expansion. The higher contribution from the property development business is mainly attributable to a bargain purchase gain attained upon completion of acquisition of a residential property development project in Zigong City, Sichuan Province, the PRC, during the period under review, which was partially offset by the valuation losses of certain investment properties incurred as at 30 September 2019.

### **Review of financial position**

Regarding the Group's financial position as at 30 September 2019, total assets increased by 289% to approximately HK\$3,761 million (31 March 2019: HK\$967 million). As at 30 September 2019, net current assets amounted to approximately HK\$744 million (31 March 2019: HK\$65 million), whereas current ratio deriving from the ratio of current assets to current liabilities amounted to 1.31 times (31 March 2019: 1.30 times). The change in financial position was mainly attributable to the acquisition of a residential property development business in Zigong City, Sichuan Province, the PRC.

The net cash outflow from operating activities was approximately HK\$84 million (2018: HK\$13 million), which was mainly due to the purchase of quoted corporate bonds during the period. The net cash outflow from investing activities was approximately HK\$139 million (2018: HK\$7 million), which was mainly due to the settlement of acquisition consideration for the residential property development business in Zigong City, Sichuan Province, the PRC. Taking into account the net cash inflow from financing activities of approximately HK\$278 million (2018: HK\$20 million), the Group recorded a net increase in cash and cash equivalents of approximately HK\$55 million (2018: HK\$0.2 million). After accounting for the exchange loss on cash and cash equivalents of approximately HK\$2 million during the period under review, the balance of cash and cash equivalents (excluding restricted use balance of approximately HK\$9 million) amounted to approximately HK\$121 million as at 30 September 2019 (31 March 2019: HK\$68 million).

Shareholders' funds attributable to equity holders of the Company increased by 21% to approximately HK\$757 million (31 March 2019: HK\$627 million), representing HK\$0.19 per share (31 March 2019: HK\$0.19 per share) as at 30 September 2019. The change in equity was resulted from (a) allotment and issuance of 662,162,483 consideration shares of the Company valued at approximately HK\$127 million for acquisition of the residential property development business in Zigong City, Sichuan Province, the PRC, on 1 August 2019; (b) the net profit for the period of approximately HK\$31 million; and net of (c) the Renminbi exchange loss arising from translation of foreign operations of approximately HK\$28 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 profit of approximately HK\$61 million (2018: HK\$0.1 million) for the period, which was mainly attributable to the bargain purchase gain of approximately HK\$62 million (2018: Nil) attained upon completion of acquisition of a residential property development business in Zigong City, Sichuan Province, the PRC, during the period under review, after deducting project expenses. The new project contributed revenue of approximately HK\$87 million (2018: Nil) for the period under review, which delivered to customers an aggregate residential gross floor area of approximately 13,000 sq m from the date of acquisition and up to the end of the reporting period.

In view of capturing the rapid growth opportunities of the property market in Mainland China, the Group acquired a residential property development business containing three plots of land forming part of the Zhonggang Shenhai Forest Project (中港燊海森林項目), located in the high-tech industrial development zone of the Yanluyu District of Wolong Lake in Zigong City, Sichuan Province, the PRC (中國四川省自貢市高新技術產業開發區高新臥龍湖鹽鹵浴片區), on 1 August 2019. The three plots of land have an aggregate remaining saleable gross floor area of approximately 500,000 sq m as at such date of acquisition. The acquisition consideration amounted to HK\$400 million. In addition, the Group also agreed to pay the conditional payment of up to HK\$200 million to the seller in proportion to the fulfilment of the profit target or the delivery target, whichever is lower, in accordance with the terms and conditions of the sales and purchase agreement of the said acquisition. As at 30 September 2019, residential units with gross floor area of approximately 228,000 sq m had been presold and is expected to be delivered to customers after the financial years ending 31 March 2020. The management considers that the acquisition will deliver attractive return to our shareholders from the sale of the residential units as a whole. As at 30 September 2019, the total carrying value of the completed properties held for sale and properties under development amounted to approximately HK\$2,558 million (31 March 2019: nil).

As at 30 September 2019, the Group also held 18 units of residential villas at the estate Ju Hao Shan Zhung (also known as Beverly Hills) situated in Changsha City, Hunan Province, the PRC, for sale with total gross floor area of approximately 5,600 sq m and carrying value of approximately HK\$51 million (31 March 2019: HK\$54 million). The local government has stepped up nation-wide property-purchasing limitations to cool the real estate markets, such properties had not contributed to the operating profit of the Group for the period under review. Taking reference to the latest regional urban planning and development of Changsha City, the management is optimistic about the prospect of these higher-end residential properties and expects to bring substantial yield to the Group.

The Group is exploring other business opportunities arising from the thriving property market of various regions with a view to expanding our property development and sale activities in the near future.

### ***Printing business***

The printing business includes the manufacture and sale of printed products, including art books, packaging boxes and children's books, with our production facilities located in Huizhou City, Guangdong Province, the PRC. It recorded an operating profit of approximately HK\$0.2 million (2018: HK\$0.1 million) for the period, which was affected by the drop in revenue during the period.

Harvesting from years of efforts in enhancing the business's competitive edges in innovative design, quality management and new production facilities, there was a surge in revenue from sales of printed products received from new overseas orders which resulted in an increase in revenue to approximately HK\$138 million (2018: HK\$107 million) for the period. However, being affected by the weak market sentiment amid rising global trade tensions and increasing import tariffs, the printing business strived to sustain market share expansion and to maintain its competitive edge by adopting an aggressive pricing strategy for the printed products. Consequently, the gross margin of printed products had been affected and the printing business recorded similar level of profitability when compared with the last corresponding period.

Facing continuing challenges brought by global tariffs uncertainties, the management derives numerous options including sourcing, manufacturing, distribution, logistics and market diversification solutions and strives to mitigate the impact to a minimum by prompt implementation and reaction. The management remains cautiously optimistic about the growth momentum of the printing business, whereas appropriate risk management and business deployment have been carried out to channel threats into new 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\$15 million (2018: profit of approximately HK\$13 million) for the period. The loss was mainly affected by the fair value loss from revaluation of investment properties amounted to approximately HK\$18 million (2018: gain of HK\$7 million). Certain investment properties had sustained a drop in fair market valuation amidst the current unstable economic and operational environment, despite relatively stable rental income is continuing to be derived from such properties.

As at 30 September 2019, the Group held the following investment properties carried at fair market value of approximately HK\$495 million (31 March 2019: HK\$523 million) and contributed rental income of approximately HK\$5 million (2018: HK\$6 million):

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

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 is monitoring the capital gain and rental yield of the portfolio and is positioned to seek further investment opportunities in the business.

### ***Securities investment and trading business***

The security investment and trading business involves the investment and trading of listed debt and equity instruments, which recorded an operating profit of approximately HK\$2 million (2018: HK\$1 million) for the period. During the period, the portfolio of high-yield corporate bonds generated interest income of approximately HK\$1 million (2018: HK\$3 million) and contributed a fair value gain on mark-to-market valuation of approximately HK\$1 million (2018: loss of HK\$1 million).

As at 30 September 2019, the Group held high-yield quoted corporate bonds carried at mark-to-market valuation of approximately HK\$104 million (31 March 2019: HK\$32 million), equivalent to approximately 3% (31 March 2019: 3%) of the Group's total assets. The portfolio of corporate bonds held by the Group as at 30 September 2019 comprised bonds issued by several Hong Kong listed companies mainly engaging in property development related business and leasing business in Mainland China.

As a means of generating remunerative yield while preserving capital, the management is contemplating any investment opportunities in the fixed-income markets so arising from falling global interest rates. The Group remains cautious in selecting the portfolio so as to achieve an optimal risk-return balance derived from its overall return, and monitors closely on the portfolio's underlying price risk and credit risk.

### **Liquidity and capital resources**

As at 30 September 2019, the Group's total assets amounted to approximately HK\$3,761 million (31 March 2019: HK\$967 million), which were financed by shareholders' funds and various credit facilities. Banking facilities are maintained to finance the Group's working capital and committed capital expenditures, which bear interest at market rate with contractual terms of repayment ranging from within one year to two years. The Group adopts a treasury policy to maximize 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, neither any financial instruments had been used for hedging purpose, nor 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 2019, the Group's bank borrowings amounted to approximately HK\$416 million (31 March 2019: HK\$135 million) with approximately HK\$402 million (31 March 2019: HK\$71 million) repayable within one year or on demand and approximately HK\$14 million (31 March 2019: HK\$64 million) repayable after one year. The bank borrowings of approximately HK\$413 million (31 March 2019: HK\$132 million) were denominated in Hong Kong dollar, approximately HK\$2 million (31 March 2019: nil) were denominated in Renminbi and approximately HK\$1 million (31 March 2019: 3 million) were denominated in United States dollars, which bore interest at floating rate. The Group's gearing ratio was 0.55 (31 March 2019: 0.21), which was calculated based on the ratio of total bank borrowings of approximately HK\$416 million (31 March 2019: HK\$135 million) to the shareholders' funds of approximately HK\$757 million (31 March 2019: HK\$627 million).

As at 30 September 2019, the Group's cash and cash equivalents balances amounted to approximately HK\$224 million (31 March 2019: HK\$68 million), which also included pledged cash and cash equivalents of approximately HK\$94 million (31 March 2019: nil) and restricted bank balances of approximately HK\$9 million (31 March 2019: nil). Approximately HK\$12 million (31 March 2019: HK\$7 million) was denominated in Hong Kong dollar, approximately HK\$173 million (31 March 2019: HK\$35 million) was denominated in United States dollar, approximately HK\$39 million (31 March 2019: HK\$26 million) was denominated in Renminbi and approximately HK\$0.8 million (31 March 2019: HK\$0.1 million) was denominated in other currencies. As at 30 September 2019, the Group had a net debt position (being bank borrowings net of cash and cash equivalents) of approximately HK\$192 million (31 March 2019: HK\$67 million).

On 1 August 2019, the Company allotted and issued 662,162,483 consideration shares valued at approximately HK\$127 million for acquisition of the residential property development business in Zigong City, Sichuan Province, the PRC.

Subsequent to the end of the reporting period, on 28 October 2019, the Company announced a proposal to raise a gross proceed of up to approximately HK\$219 million, before expenses, by way of a rights issue to shareholders (the "Rights Issue"). The Rights Issue involves the issue of up to 1,986,487,450 rights shares at a subscription price of HK\$0.11 per rights share on the basis of one rights share for every two existing ordinary shares. The Board considers that the Rights Issue will strengthen the capital base of the Company and will enhance liquidity and lower the gearing level of the Group. The Rights Issue has not yet completed as of the date of this announcement.

## **Outlook**

Accompanying the global falling interest rates and other expansionary monetary policies, the pace of global economic activities and expansion has shown signs of deceleration. Challenges brought by trade and geopolitical tensions have weakened the business sentiment and hence the momentum in manufacturing activities. The Group has refined its strategic development to pose risks to growth by focusing in the property development business in order to capture opportunities emerging from the real estate market, especially the lower-tier cities in Mainland China. The near to medium term outlook of the real estate market remains positive as it benefits from the nation-wide stimulus efforts to secure a better economic prospect.

Leveraging on the effective management on emerging risks and internal control, the management of the Group is staying particular alert on volatility in pricing of the investment portfolios. Anchored by decades of remarkable operation and expertise of the printing business, the Group is continuing to contemplate various growth-enhancing investment opportunities in the market.

## **CONTINGENT LIABILITIES**

As at 30 September 2019, the Group provided financial guarantees in respect of mortgage loans made by certain banks to certain purchasers of the properties in the PRC, either directly provided to the banks or to the housing provident fund management center who arranged the bank mortgages, which amounted to approximately HK\$1,117 million (31 March 2019: nil).

## **NUMBER OF EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2019, the Group, including its subcontracting processing plants, employed 569 staff and workers (31 March 2019: 618). 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 2019, the Group pledged certain assets including right-of-use assets (31 March 2019: prepaid lease payments), property, plant and equipment, investment properties, accounts receivable and cash and cash equivalents with an aggregate carrying value of approximately HK\$514 million (31 March 2019: HK\$326 million) to secure bank borrowings of the Group. The bank borrowings of the Group are also secured by equity interests in certain subsidiaries of the Group.

## **COMMITMENTS**

As at 30 September 2019, the Group had capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment of approximately HK\$0.4 million (31 March 2019: HK\$0.3 million).

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES**

Save as the completion of an acquisition of a property development business at Zigong City, Sichuan Province, the PRC on 1 August 2019, the Group did not have material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 September 2019.

## **EVENT AFTER THE REPORTING PERIOD**

On 28 October 2019, the Company announced a proposed rights issue of rights shares on the basis of one rights share for every two existing ordinary shares at HK\$0.11 per rights share to raise a gross proceed of up to approximately HK\$219 million before deducting any expenses incurred for the Rights Issue.

An extraordinary general meeting will be held on 6 January 2020 to approve the transaction contemplated under the relevant underwriting agreement, which constitutes a connected transaction of the Company, by independent shareholders under Chapter 14A of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Details of the aforesaid rights issue are set out in note 14 in this announcement.

## **CORPORATE GOVERNANCE**

The Company has applied the principles of and has complied with all code provisions contained in the Corporate Governance Code as set out in Appendix 14 to Listing Rules throughout the six months ended 30 September 2019.

## **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 2019.

## **REVIEW OF ACCOUNTS**

The audit committee of the Board has reviewed, with management and the independent auditor of the Company, the Group’s unaudited condensed consolidated interim financial information for the six months ended 30 September 2019, the interim report, the accounting principles and practices adopted by the Group and has discussed risk management, internal controls, and financial reporting matters.

These interim financial results have not been audited, but have been reviewed by the Company’s auditor.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on information that is publicly available to the Company and within knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float as required by the Listing Rules throughout the six months ended 30 September 2019.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 September 2019, 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 (six months ended 30 September 2018: nil).

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the websites of The Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.mcgroup.hk](http://www.mcgroup.hk)). The interim report of the Company for the six months ended 30 September 2019 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, 27 November 2019

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