融太集團股份有限公司
MAGNUS CONCORDIA GROUP LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1172)

FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2020

The board (the "**Board**") of directors (the "**Directors**") of Magnus Concordia Group Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2020 with the corresponding comparative figures for the year ended 31 March 2019 as follows:

FINANCIAL HIGHLIGHTS

	2020	2019	**Change**
Revenue	**HK$310 million**	HK$214 million	**+45%**
Gross profit	**HK$64 million**	HK$67 million	**-3%**
Profit/(loss) attributable to owners of the Company	**HK$(74) million**	HK$3 million	**-3,001%**
Earnings/(loss) per share	**HK(1.85) cents**	HK0.08 cent	**-2,413%**
Shareholders' funds	**HK$842 million**	HK$627 million	**+34%**
Net asset value per share	**HK$0.15**	HK$0.19	**-21%**

RESULTS

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	4	**310,404**	214,380
Cost of sales		**(246,109)**	(147,859)
Gross profit		**64,295**	66,521
Other income, expense and net losses	5	**(30,734)**	(997)
Selling and marketing expenses		**(25,884)**	(15,505)
Administrative and other operating expenses		**(65,689)**	(58,856)
Change in fair value of investment properties		**(78,201)**	16,610
Gain on bargain purchase of a property development business, net	14	**60,070**	–
Operating profit/(loss)	6	**(76,143)**	7,773
Finance costs	7	**(8,362)**	(4,832)
Profit/(loss) before tax		**(84,505)**	2,941
Income tax credit/(expense)	8	**10,790**	(400)
Profit/(loss) for the year		**(73,715)**	2,541
		HK cents	*HK cent*
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted	10	**(1.85)**	0.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
Profit/(loss) for the year	**(73,715)**	2,541
Other comprehensive loss:		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(31,837)**	(13,777)
Other comprehensive loss for the year	**(31,837)**	(13,777)
Total comprehensive loss for the year attributable to owners of the Company	**(105,552)**	(11,236)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**40,494**	40,891
Investment properties	11	**434,440**	522,644
Prepaid land lease payments		**–**	3,051
Other non-current assets		**30,258**	38,493
Prepayment for acquisition of a property development business		**–**	80,000
Total non-current assets		**505,192**	685,079
CURRENT ASSETS			
Inventories		**43,190**	46,252
Properties under development		**2,853,687**	–
Completed properties for sale		**59,656**	53,707
Accounts receivable	12	**49,866**	58,654
Prepayments, other receivables and other assets		**161,339**	23,265
Financial assets at fair value through profit or loss		**96,037**	31,671
Pledged cash and cash equivalents		**120,000**	–
Restricted bank balances		**35,897**	–
Cash and bank balances		**265,502**	67,945
Total current assets		**3,685,174**	281,494
CURRENT LIABILITIES			
Accounts payable	13	**180,182**	45,839
Accrued charges and other payables		**268,195**	44,679
Contract liabilities		**1,893,374**	6,382
Bank borrowings		**373,127**	71,099
Tax payable		**109,039**	48,428
Lease liabilities		**2,058**	–
Total current liabilities		**2,825,975**	216,427
NET CURRENT ASSETS		**859,199**	65,067
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,364,391**	750,146

	2020	2019
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Bank borrowings	**–**	63,532
Deferred tax liabilities	**520,660**	59,981
Lease liabilities	**1,875**	–
Total non-current liabilities	**522,535**	123,513
Net assets	**841,856**	626,633
EQUITY		
Equity attributable to owners of the Company		
Share capital	**577,920**	331,081
Reserves	**263,936**	295,552
Total equity	**841,856**	626,633

NOTES

1. BASIS OF PREPARATION

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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 to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

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

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.

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 property and motor vehicles. 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 leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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. 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. The Group elected to include the right-of-use assets in property, plant and equipment in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40. For the leasehold land previously included in prepaid land lease payments, the Group reclassified these payments as right-of-use-assets.

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

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 April 2019

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	HK$'000
Assets	
Increase in right-of-use assets	**6,287**
Decrease in prepaid land lease payments	**(3,051)**
Increase in total assets	**3,236**
Liabilities	
Increase in lease liabilities and total liabilities	**3,236**

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. The interpretation did not have any material impact on the financial position or performance of the Group.

3. SEGMENT INFORMATION

Segment information by business lines

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

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

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
Treasury	–	Investment and trading of debts, equity instruments and other instruments
Others and corporate	–	Other non-reportable business activities and operating segments and corporate not constituting a reportable segment individually, together with corporate income and expense items and acquisition related costs

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

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

Others and corporate segment liabilities mainly include bank borrowings that are managed on a group basis and the liabilities related to other business.

The segment information by business lines is as follows:

	Printing	**Property investment**	**Property development**	**Treasury**	**Others and corporate**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2020						
Segment revenue						
Sales to external customers	206,761	10,385	87,138	–	1,502	305,786
Other revenue	–	–	–	4,618	–	4,618
Total revenue	206,761	10,385	87,138	4,618	1,502	310,404
EBITDA/(LBITDA)	11,589	(77,938)	36,497	(2,584)	(30,504)	(62,940)
Depreciation	(10,938)	(157)	(45)	–	(2,063)	(13,203)
Segment result – EBIT/(LBIT)	651	(78,095)	36,452	(2,584)	(32,567)	(76,143)
Finance costs						(8,362)
Loss before tax						(84,505)
Income tax credit						10,790
Loss for the year						(73,715)
As at 31 March 2020						
Total assets	152,416	468,416	3,132,420	216,143	220,971	4,190,366
Total liabilities	117,337	62,256	2,671,745	224,430	272,742	3,348,510

	Printing	Property investment	Property development	Treasury	Others and corporate	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2019						
Segment revenue						
Sales to external customers	198,638	11,159	–	–	–	209,797
Other revenue	–	–	–	4,583	–	4,583
Total revenue	198,638	11,159	–	4,583	–	214,380
EBITDA/(LBITDA)	11,565	25,506	–	4,159	(21,874)	19,356
Depreciation and amortisation	(11,185)	(66)	–	–	(332)	(11,583)
Segment result – EBIT/(LBIT)	380	25,440	–	4,159	(22,206)	7,773
Finance costs						(4,832)
Profit before tax						2,941
Income tax expense						(400)
Profit for the year						2,541
As at 31 March 2019						
Total assets	178,816	562,919	158,085	55,202	11,551	966,573
Total liabilities	123,605	164,883	7,953	20	43,479	339,940

Geographical segment information

The business of the Group operates in different geographical areas. Revenue is presented by the countries where the customers are located. Capital expenditures and non-current assets are presented by the countries where the assets are located. The segment information by geographical area is as follows:

	Revenue		Capital expenditures	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**30,243**	24,167	**3,235**	82,604
Mainland China	**123,693**	28,790	**3,823**	17,374
United States of America	**84,061**	88,428	**–**	–
United Kingdom	**24,826**	25,270	**–**	–
Germany	**2,916**	8,490	**–**	–
France	**15,423**	18,093	**–**	–
Other countries	**29,242**	21,142	**–**	–
	310,404	214,380	**7,058**	99,978

	Non-current assets	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**343,391**	475,680
Mainland China	**161,801**	209,399
	505,192	685,079

Information about major customers

During the year, none of the customers of the Group contributed over 10% of the total revenue of the Group.

In last year, revenue from each of the first and the second largest external customers of the printing business segment, amounting to approximately HK$28,590,000 and HK$21,943,000 respectively, contributed over 10% of the total revenue of the Group.

4. REVENUE

An analysis of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of printed products	**206,761**	198,638
Sale of properties	**87,138**	–
Others	**1,502**	–
	295,401	198,638
Revenue from other sources		
Rental income	**10,385**	11,159
Interest income from financial assets at fair value through profit or loss	**4,618**	4,583
	15,003	15,742
	310,404	214,380

5. OTHER INCOME, EXPENSE AND NET LOSSES

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

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**1,702**	661
Sales of scrap materials	**2,455**	2,429
Gain on disposal of items of property, plant and equipment	**124**	3,343
Fair value change of financial assets at fair value through profit or loss	**(6,562)**	(737)
Professional fees incurred for potential acquisitions	**(5,600)**	(9,559)
Impairment of an other non-current asset	**(7,590)**	–
Impairment of an other receivable	**(7,565)**	–
Impairment of completed properties for sale	**(3,109)**	–
Termination benefits costs	**(4,436)**	–
Net exchange gain	**895**	1,680
Sundries	**(1,048)**	1,186
	(30,734)	(997)

6. OPERATING PROFIT/(LOSS)

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

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold	**156,668**	146,115
Cost of properties sold	**87,396**	–
Depreciation of property, plant and equipment	**13,203**	11,465
Less: Amount capitalised and included in cost of inventories sold for printing business	**(7,734)**	(8,698)
Depreciation of property, plant and equipment included in selling and marketing expenses and administrative and other operating expenses	**5,469**	2,767
Amortisation of prepaid land lease payment	**–**	118
Reversal of impairment of inventories (included in cost of sales)	**(526)**	(720)

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowings	**15,843**	4,832
Interest on lease liabilities	**205**	–
Interest arising from revenue contracts	**39,257**	–
Total interest	**55,305**	4,832
Less: Interest capitalised in properties under development	**(46,943)**	–
	8,362	4,832

8. INCOME TAX

	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Underprovision/(overprovision) in prior years	**3,881**	(419)
Current – the Mainland China		
Corporate income tax		
Charge for the year	**4,445**	355
Over provision in prior year	**–**	(68)
Land appreciation tax		
Charge for the year	**5,084**	–
Deferred tax	**(24,200)**	532
Total tax expense/(credit) for the year	**(10,790)**	400

9. DIVIDENDS

The board of directors does not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil). No interim dividend was declared during the year (2019: nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on loss for the year attributable to owners of the Company of HK$73,715,000 (2019: profit of HK$2,541,000) and the weighted average number of ordinary shares of 3,989,135,615 (2019: 3,310,812,417) in issue during the year.

The diluted loss (2019: earnings) per share is equal to the basic loss (2019: earnings) per share since there are no dilutive potential shares in issue during both years.

11. INVESTMENT PROPERTIES

	2020	2019
	HK$'000	*HK$'000*
Carrying amount at the beginning of the year	**522,644**	516,381
Changes in fair value	**(78,201)**	16,610
Exchange realignment	**(10,003)**	(10,347)
Carrying amount at the end of the year	**434,440**	522,644

12. 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 sale of properties are received in advance or upon delivery of the completed properties to customers. For customer with long-term business relationship, a longer credit period may be granted. Accounts receivable are non-interest-bearing.

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

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**14,764**	24,513
31 to 60 days	**3,021**	8,546
61 to 90 days	**9,675**	12,736
Over 90 days	**22,406**	12,859
	49,866	58,654

13. ACCOUNTS PAYABLE

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

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**117,309**	20,487
31 to 60 days	**4,980**	7,070
61 to 90 days	**9,836**	8,353
Over 90 days	**48,057**	9,929
	180,182	45,839

14. 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$400,000,000 was to be satisfied by: (i) the allotment and issuance of 662,162,483 consideration shares of the Company at the issue price of HK$0.21 amounting to approximately HK$139,054,000; and (ii) the payment of approximately HK$260,946,000. The Group also agreed to make conditional Pro Rata Payment (as defined in note 15) for up to HK$200,000,000 to the seller in proportion to the fulfilment of the Profit Target (as defined in note 15) or of the Delivery Target (as defined in note 15), whichever is lower, during the Relevant Periods (as defined in note 15).

Acquisition consideration:

	HK$'000
Cash consideration (note (i))	260,946
Fair value of consideration shares (note (ii))	127,135
Fair value of contingent consideration (note 15)	–
	388,081

Notes:

(i) As at the acquisition date and 31 March 2020, approximately HK$39,432,000 had been withheld by the Group as retention of the seller's tax payable.

(ii) Fair value of the consideration shares was determined with reference to the closing price of the Company's shares of HK$0.192 per share at the acquisition date on 1 August 2019.

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

	HK$'000
Properties, plant and equipment	194
Properties under development	2,505,286
Completed properties for sale	101,628
Accounts receivable	545
Prepayments, other receivables and other assets	69,725
Restricted bank balances	10,583
Cash and bank balances	9,505
Accounts payable	(191,128)
Accrued charges and other payables	(121,858)
Contract liabilities	(1,360,872)
Tax payables	(61,920)
Deferred taxation liabilities	(505,839)
Total identifiable net assets*	455,849
Bargain purchase gain on acquisition	(67,768)
	388,081
Bargain purchase gain on acquisition	67,768
Less: Transaction costs	(7,698)
Net bargain purchase gain on acquisition	60,070

* *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 interim financial statements of the Group for the six-month period ending 30 September 2020.*

A bargain purchase gain of approximately HK$60,070,000 was recognised during the year. 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 year.

15. CONTINGENT CONSIDERATION

In relation to the acquisition of the Jinjin Group as disclosed in note 14, the Group agreed to pay a contingent acquisition consideration of up to HK$200,000,000 in tranches (the "**Conditional Payment**") if certain profit target (the "**Profit Target**") and delivery target (the "**Delivery Target**") are met on or before 31 March 2021.

The Profit Target relates to the contribution of aggregate consolidated net profits by the Jinjin Group of not less than RMB200 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 considered 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.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2020 (2019: nil). No interim dividend was declared and paid during the year (2019: nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, 20 August 2020 (the "**AGM**"). Notice of the AGM will be published and issued to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' rights to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 17 August 2020 to Thursday, 20 August 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, unregistered holders of shares should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 14 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial performance

For the year ended 31 March 2020, the Group recorded a consolidated revenue of approximately HK$310 million (2019: HK$214 million), representing an increase of 45% from the last year. The growth in revenue was mainly attributable to 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.

The Group's gross margin dropped to 21% (2019: 31%) of the consolidated revenue, as a result of minimal gross margin recorded from 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 fair values of the properties 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 margin would have been approximately 29% (2019: 31%) by excluding sales of properties, the decline of which was mainly due to the adoption of the competitive pricing strategy for the printed products in order to sustain market share expansion under the weaker market sentiment caused by rising global trade tensions and increasing import tariffs. Consequently, the Group's gross profit decreased by 3% from last year to approximately HK$64 million (2019: HK$67 million).

The Group's selling and marketing expenses as well as administrative and other operating expenses recorded a moderate increment to approximately HK$26 million (2019: HK$16 million) and HK$66 million (2019: HK$59 million) respectively. The increment 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 year. The acquisition of the new property development business has contributed a gain on bargain purchase of approximately HK$60 million (2019: nil) during the year, which mainly benefited from the difference between the market price of consideration shares allotted to the seller at the date of acquisition and the contract share price, as well as the valuation premium resulting from certain business concessionary and support measures in Mainland China prevailing during the year.

The Group's other income, expense and net losses amounted to a net loss of approximately HK$31 million (2019: HK$1 million). The amount mainly included impairment of an other receivable of approximately HK$8 million (2019: nil), impairment of an other non-current assets of approximately HK$8 million (2019: nil), the fair value loss on mark-to-market valuation of quoted bonds portfolio of approximately HK$7 million (2019: HK$1 million) and the fees incurred for potential acquisitions of approximately HK$6 million (2019: HK$10 million).

The fair value loss from revaluation of investment properties amounted to approximately HK$78 million (2019: gain of HK$17 million). The investment properties had recorded a drop in fair market valuation amidst the current weak economic sentiment, despite relatively stable rental income continues to be derived from the properties.

The Group's finance costs increased to approximately HK$8 million (2019: HK$5 million), which was mainly due to the new banking facilities obtained during the year.

During the year under review, the Group recorded a loss before taxation of approximately HK$85 million (2019: profit of HK$3 million), which was attributed to results of the following operating segments and expenses:

(i) Printing business – profit of approximately HK$1 million (2019: HK$1 million);

(ii) Property investment – loss of approximately HK$78 million (2019: profit of HK$25 million);

(iii) Property development – profit of approximately HK$36 million (2019: nil);

(iv) Treasury – loss of approximately HK$3 million (2019: profit of HK$4 million);

(v) Net corporate expenses and other businesses of approximately HK$33 million (2019: HK$22 million);

(vi) Finance costs of approximately HK$8 million (2019: HK$5 million).

Loss for the year attributable to owners of the Company amounted to approximately HK$74 million (2019: profit of HK$3 million), and loss per share was HK1.85 cents (2019: earnings per share of HK0.08 cent). The turnaround of the Group's results was mainly attributable to an unrealised revaluation loss of approximately HK$78 million of its investment properties (comprising commercial shops and office premises) located in Hong Kong and Mainland China, with their market values as at 31 March 2020 being adversely affected by the weak market sentiment resulting from the temporary quarantine measures for novel coronavirus, as compared to a revaluation gain of approximately HK$17 million recorded for the year ended 31 March 2019.

Review of financial position

Regarding the Group's financial position as at 31 March 2020, total assets increased by 334% to approximately HK$4,190 million (2019: HK$967 million). As at 31 March 2020, net current assets amounted to approximately HK$859 million (2019: HK$65 million), whereas current ratio deriving from the ratio of current assets to current liabilities amounted to 1.30 times (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, during the year.

The net cash outflow used in operating activities was approximately HK$50 million (2019: net cash inflow of approximately HK$27 million), which had been accounted for cash outflow used in the purchase of high-yield corporate bonds portfolio during the year. The net cash outflow used in investing activities was approximately HK$166 million (2019: HK$97 million), which mainly represented 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$417 million (2019: HK$14 million) which mainly represented funds raised from bank borrowings and the issue of one rights share for every two existing shares at HK$0.11 per rights share (the "**Rights Issue**") in February 2020 (resulting in the issue of a total of 1,806,221,760 rights shares), the Group recorded a net increase in cash and cash equivalents of approximately HK$201 million (2019: net decrease of approximately HK$56 million). After accounting for the exchange loss on cash and cash equivalents of approximately HK$3 million during the year under review, the balance of cash and cash equivalents (excluding restricted use balance of approximately HK$36 million and pledged cash and cash equivalents of approximately HK$120 million) amounted to approximately HK$266 million as at 31 March 2020 (2019: HK$68 million).

Shareholders' funds attributable to owners of the Company increased by 34% to approximately HK$842 million (2019: HK$627 million), representing HK$0.15 per share as at 31 March 2020 (2019: HK$0.19 per share). The change in equity was resulted from (a) allotment and issue 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 Rights Issue for net proceeds of approximately HK$194 million on 13 February 2020; net of (c) the net loss for the year of approximately HK$74 million; and (d) the Renminbi exchange loss arising from translation of foreign operations of approximately HK$32 million during the year under review.

Review of operations and business development

Property development business

The property development business involves the development, sale and trading of real estate properties principally in Mainland China. It recorded an operating profit of approximately HK$36 million (2019: nil) for the year, which was mainly attributable to the bargain purchase gain of approximately HK$60 million (2019: nil) attained upon completion of acquisition of a residential property development business in Zigong City, Sichuan Province, the PRC, during the year under review, after deducting project expenses. The new project contributed revenue of approximately HK$87 million (2019: nil) during the year generated from the delivery of residential units with gross floor area of approximately 14,000 sq m from the date of acquisition on 1 August 2019 to the end of the reporting period.

In view of capturing the rapid growth opportunities in the property market in Mainland China, the Group acquired a residential property development business containing three plots of land forming part of the Zhonggang Shenhai Forest Project（中港燊海森林項目）, 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 management considers that the acquisition will deliver attractive return to our shareholders from the sale of the residential units as a whole.

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. The contracted acquisition consideration amounted to HK$400 million, whereas the Group also agreed to pay a 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 31 March 2020, residential units under development with gross floor area of approximately 305,000 sq m had been presold and not yet delivered. Delivery of completed residential units, which would result in recognition of sales of properties, is anticipated to take place in the financial years ending 31 March 2021 to 2023. As at 31 March 2020, the total carrying value of the completed properties for sale and properties under development in Zigong City amounted to approximately HK$2,863 million (2019: nil).

As at 31 March 2020, the Group also held 18 units of residential villas for sale at the estate Ju Hao Shan Zhung (also known as Beverly Hills) situated in Changsha City, Hunan Province, the PRC, with total gross floor area of approximately 5,600 sq m and carrying value of approximately HK$50 million (2019: HK$54 million). The properties had yet to generate any revenue to the segment for the year under review due to the restrictions introduced by local authorities to limit speculative behaviors on the real estate market. 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.

Benefiting from the expertise cumulated from the acquisition of residential development project during the year, the Group is exploring business opportunities in the market to expand the property development business.

Printing business

The printing business includes the manufacture and sale of printed products, including art books, packaging boxes and children's books, with our production facilities located in Huizhou City, Guangdong Province, the PRC. It recorded an operating profit of approximately HK$1 million (2019: HK$1 million) for the year under review.

Harvesting from years of efforts in enhancing the business's competitive edges in innovative design, quality management and new production facilities, the revenue for the year increased to approximately HK$207 million (2019: HK$199 million) resulting from the increase in sales of printed products for new overseas orders. However, being affected by the weak market sentiment amid rising global trade tensions and the lockdown to global economic activities caused by the coronavirus pandemic crisis, the printing business strived to sustain market share expansion and to maintain its competitive edge by adopting competitive pricing strategy for the printed products. Consequently, the gross margin of printed products had been affected despite the growth in revenue and similar level of profitability recorded by the printing business when compared with last year.

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 of the solutions 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$78 million (2019: profit of approximately HK$25 million) for the year under review. The loss was mainly attributed to the unrealised revaluation loss of the investment properties located in Hong Kong and Mainland China of approximately HK$78 million (2019: gain of approximately HK$17 million), with their market values as at 31 March 2020 being adversely affected by the weak market sentiment resulting from the temporary quarantine measures for novel coronavirus, despite relatively stable rental income continues to be derived from such properties.

As at 31 March 2020, the Group held the following investment properties carried at fair market value of approximately HK$434 million (2019: HK$523 million) and contributed rental income of approximately HK$10 million (2019: HK$11 million) during the year:

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

The Group remains cautiously optimistic about the prospect of the property investment business, having considered that the investment properties were fully leased out as at the date of this announcement and the unrealised revaluation loss incurred was mainly resulted from the temporary quarantine measures carried out in Hong Kong and Mainland China as at the end of the reporting period. The portfolio of investment properties was acquired for long term investment purpose so as to provide a stable income stream to the Group. The Group will keep on monitoring the capital gain and rental yields of the portfolio and will consider to rebalance the investment portfolio when suitable opportunities arise.

Treasury business

The treasury business involves the investment and trading of debts, equity and other treasury instruments, which recorded an operating loss of approximately HK$3 million (2019: profit of approximately HK$4 million) for the year. Despite an unrealised fair value loss of mark-to-market valuation of the corporate bonds portfolio of approximately HK$7 million (2019: HK$1 million), the portfolio of high-yield corporate bonds generated interest income of approximately HK$5 million (2019: HK$5 million).

As at 31 March 2020, the Group held high-yield corporate bonds carried at mark-to-market valuation of approximately HK$96 million (2019: HK$32 million), equivalent to approximately 2% (2019: 3%) of the Group's total assets. The portfolio of corporate bonds held by the Group as at 31 March 2020 comprised bonds issued by several Hong Kong listed companies which mainly engaged in property development related business and leasing business in Mainland China.

Despite being affected by the turmoil in global financial markets due to the outbreak of novel coronavirus, the high market volatility of bond price as at the end of the reporting period has been gradually stabilized. The management considers that the fixed-income market can still provide remunerative investment opportunities under the global trend of falling interest rates while preserving capital. The Group remains cautious in monitoring the portfolio's underlying price risk and credit risk so as to achieve an optimal risk-return balance.

Liquidity and capital resources

As at 31 March 2020, the Group's total assets amounted to approximately HK$4,190 million (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 year, no financial instruments had been used for hedging purpose, and no foreign currency net investments had been hedged by currency borrowings or other hedging instruments. The Group manages the exposures of fluctuation on exchange rate and interest rate on individual transaction basis.

As at 31 March 2020, the Group's bank borrowings amounted to approximately HK$373 million (2019: HK$135 million) with approximately HK$373 million repayable on demand or within one year (2019: approximately HK$71 million repayable within one year and approximately HK$64 million repayable after one year). The bank borrowings bore interest at floating rate, approximately HK$361 million (2019: HK$132 million) of which were denominated in Hong Kong dollar, approximately HK$8 million (2019: nil) of which were denominated in Renminbi and approximately HK$4 million of which were denominated in United States dollars (2019: HK$3 million). The Group's gearing ratio was 0.44 (2019: 0.21), which was calculated based on the ratio of total bank borrowings of approximately HK$373 million (2019: HK$135 million) to the shareholders' funds of approximately HK$842 million (2019: HK$627 million).

As at 31 March 2020, the Group's cash and equivalents balances amounted to approximately HK$421 million (2019: HK$68 million), which included pledged cash and cash equivalents of approximately HK$120 million (2019: nil) and restricted bank balances of approximately HK$36 million (2019: nil). Approximately HK$263 million (2019: HK$7 million) was denominated in Hong Kong dollar, approximately HK$35 million (2019: HK$35 million) was denominated in United States dollar, approximately HK$121 million (2019: HK$26 million) was denominated in Renminbi and approximately HK$2 million (2019: HK$0.1 million) was denominated in other currencies. As at 31 March 2020, the Group had a net debt position (being bank borrowings net of non-pledged cash and cash equivalents) of approximately HK$72 million (2019: HK$67 million) and net gearing ratio of 0.09 (2019: 0.11) (being the ratio of net debts to the shareholders' funds).

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.

On 13 February 2020, the Company issued 1,806,221,760 rights shares, on the basis of one rights share for every two existing ordinary shares, at subscription price of HK$0.11 per rights share. The Board considers that the Rights Issue helped strengthen the capital base of the Company and to enhance liquidity and lower the gearing level of the Group. The net proceeds from the rights issue after deduction of all relevant expenses of approximately HK$5 million amounted to approximately HK$194 million. As at 31 March 2020, the Company had applied the net proceeds amounted to approximately HK$25 million for repayment of bank borrowings. The remaining net proceeds will be utilized for repayment of bank borrowings falling due and for general working capital.

Outlook

Facing the headwinds brought by the recent global economic fallouts, geopolitical tensions and the temporary quarantine measures for the novel coronavirus, the weakened business sentiment and uncertainties over near-term economic prospects have dampened the domestic property investment market and the region's manufacturing sector. On the other hand, opportunities still emerge from the asset markets as global falling interest rates and other expansionary monetary policies have provided immediate support for initial rebound of the economy.

Gaining the concrete support from stakeholders of the Company, the Group has refined its strategic development to pose risks to growth by focusing on the property development business to capture opportunities emerging from the real estate market, especially the lower-tier cities in Mainland China with less demand-side restrictions. Benefiting from an advantageous position in our residential development project acquired possessing privileged natural environment and exceptional presale record, the project is anticipated to improve the financial positions of the Group in the coming financial years.

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 seek growth-enhancing investment opportunities in the market.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group provided financial guarantees in respect of mortgage loans made by certain banks to certain purchasers of the properties in the PRC, either directly provided to the banks or to the housing provident fund management center who arranged the bank mortgage, which amounted to approximately HK$1,387 million (2019: nil).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group, including its subcontracting processing plants, employed 655 staff and workers (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 31 March 2020, the Group pledged certain assets including right-of-use assets under property, plant and equipment (2019: prepaid lease payments), owned assets under property, plant and equipment, investment properties, accounts receivable and cash and cash equivalents with an aggregate carrying value of approximately HK$570 million (2019: HK$326 million) to secure bank facilities of the Group. The bank facilities of the Group are also secured by equity interests in certain subsidiaries of the Group.

COMMITMENTS

As at 31 March 2020, the Group had capital expenditure contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment of approximately HK$1 million (2019: HK$1 million).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save for 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 or disposal of subsidiaries, associates and joint ventures during the year ended 31 March 2020. Details of the aforesaid acquisition are set out in the announcements of the Company dated 8 October 2018, 1 August 2019 and in note 14 to 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 the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year ended 31 March 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors of listed issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. In response to specific enquiries by the Company, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2020.

COMPETING INTERESTS

As at 31 March 2020, the Directors were not aware of any business or interest of each Director, and their respective close associates that competes or may compete with the business of the Group and any other conflicts of interest which any such persons have or may have with the Group.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's results for the year ended 31 March 2020 as set out in this preliminary results announcement have been agreed by the Group's independent auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary results announcement.

AUDIT COMMITTEE

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

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

The Audit Committee had reviewed the Group's consolidated financial statements for the year ended 31 March 2020, including the accounting principles and practices adopted by the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float as required by the Listing Rules throughout the year ended 31 March 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed and traded on the Stock Exchange (2019: nil).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange (www.hkexnews.hk) and the Company (www.mcgrouphk.com). The annual report of the Company for the year ended 31 March 2020 containing all applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 29 June 2020

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