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融太集團股份有限公司

MAGNUS CONCORDIA GROUP LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1172)

**FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2023**

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 2023 with the corresponding comparative figures for the year ended 31 March 2022 as follows:

FINANCIAL HIGHLIGHTS			
	For the year ended		
	31 March 2023	31 March 2022	Change
Revenue	HK\$417 million	HK\$1,587 million	-74%
Gross profit	HK\$58 million	HK\$57 million	2%
Loss attributable to owners of the Company	HK\$(353) million	HK\$(270) million	31%
Loss per share	(6.11) HK cents	(4.67) HK cents	31%
	As at		
	31 March 2023	31 March 2022	Change
Shareholders’ funds	HK\$265 million	HK\$653 million	-59%
Net asset value per share	HK\$0.05	HK\$0.11	-55%

RESULTS

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	416,828	1,587,349
Cost of sales		(358,739)	(1,529,850)
Gross profit		58,089	57,499
Other income, expense and net losses	4	(20,758)	(10,404)
Selling and marketing expenses		(23,605)	(57,918)
Administrative and other operating expenses		(52,862)	(52,845)
Impairment of stock of properties	5	(317,400)	(417,632)
Impairment of accounts receivable		(2,754)	–
Change in fair value of investment properties	11	1,608	(40,721)
Fair value change of financial assets at fair value through profit or loss		(340)	(12,028)
Operating loss	6	(358,022)	(534,049)
Finance costs	7	(2,727)	(2,031)
Loss before tax		(360,749)	(536,080)
Income tax credit	8	7,902	266,087
Loss for the year		(352,847)	(269,993)
		<i>HK cents</i>	<i>HK cent</i>
Basic and diluted loss per share	10	(6.11)	(4.67)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year	(352,847)	(269,993)
Other comprehensive (loss)/income: <i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(34,374)</u>	<u>23,967</u>
Total comprehensive loss for the year attributable to owners of the Company	<u>(387,221)</u>	<u>(246,026)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		17,415	23,332
Investment properties	<i>11</i>	398,771	406,717
Other non-current assets		24,162	24,327
		<hr/>	<hr/>
Total non-current assets		440,348	454,376
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		11,219	18,961
Properties under development		–	455,243
Completed properties for sale		410,186	294,011
Accounts receivable	<i>12</i>	41,897	53,087
Prepayments, other receivables and other assets		60,950	182,090
Financial assets at fair value through profit or loss		1,288	1,628
Restricted bank balances		883	14,934
Cash and bank balances		37,002	54,082
		<hr/>	<hr/>
Total current assets		563,425	1,074,036
		<hr/>	<hr/>
CURRENT LIABILITIES			
Accounts payable	<i>13</i>	130,896	161,548
Accrued charges and other payables		50,148	52,562
Contract liabilities		19,028	99,811
Bank and other borrowings		165,862	175,319
Tax payable		309,777	337,683
Lease liabilities		1,100	1,434
		<hr/>	<hr/>
Total current liabilities		676,811	828,357
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)/ASSETS		(113,386)	245,679
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		326,962	700,055
		<hr/>	<hr/>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bank and other borrowings	22,980	–
Deferred tax liabilities	38,661	46,413
Lease liabilities	–	1,100
	<hr/>	<hr/>
Total non-current liabilities	61,641	47,513
	<hr/>	<hr/>
NET ASSETS	265,321	652,542
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Share capital	577,920	577,920
Reserves	(312,599)	74,622
	<hr/>	<hr/>
TOTAL EQUITY	265,321	652,542
	<hr/> <hr/>	<hr/> <hr/>

NOTES

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the 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 revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020
Amendment to Accounting Guideline 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised)

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SEGMENT INFORMATION

Segment information by business lines

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

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

Property development	—	Development, sale and trading of real estate properties
Printing	—	Manufacture and sale of printed products
Property investment	—	Investment and leasing of real estate properties
Treasury	—	Investment and trading of debts, equity and other instruments, and asset management

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

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

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

The segment information by business lines is as follows:

	Property development HK\$'000	Printing HK\$'000	Property investment HK\$'000	Treasury HK\$'000	Total HK\$'000
For the year ended 31 March 2023					
Segment revenue					
Sales to external customers	235,374	175,224	6,230	–	416,828
Other revenue	–	–	–	–	–
	<u>235,374</u>	<u>175,224</u>	<u>6,230</u>	<u>–</u>	<u>416,828</u>
Total revenue	<u>235,374</u>	<u>175,224</u>	<u>6,230</u>	<u>–</u>	<u>416,828</u>
(LBITDA)/EBITDA	(329,424)	1,239	5,048	(1,524)	(324,661)
Depreciation	(37)	(4,730)	(159)	–	(4,926)
	<u>(329,461)</u>	<u>(3,491)</u>	<u>4,889</u>	<u>(1,524)</u>	<u>(329,587)</u>
Segment results — (LBIT)/EBIT	<u>(329,461)</u>	<u>(3,491)</u>	<u>4,889</u>	<u>(1,524)</u>	<u>(329,587)</u>
Unallocated expenses, net					(28,435)
Finance costs					<u>(2,727)</u>
Loss before tax					(360,749)
Income tax credit					<u>7,902</u>
Loss for the year					<u>(352,847)</u>
As at 31 March 2023					
Reportable segment assets	<u>470,226</u>	<u>88,474</u>	<u>427,833</u>	<u>1,586</u>	988,119
Unallocated assets					<u>15,654</u>
Consolidated total assets					<u>1,003,773</u>
Reportable segment liabilities	<u>491,003</u>	<u>81,717</u>	<u>39,354</u>	<u>88</u>	612,162
Unallocated liabilities					<u>126,290</u>
Consolidated total liabilities					<u>738,452</u>

	Property development <i>HK\$'000</i>	Printing <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2022					
Segment revenue					
Sales to external customers	1,327,215	249,145	9,067	–	1,585,427
Other revenue	–	–	–	1,922	1,922
	<u>1,327,215</u>	<u>249,145</u>	<u>9,067</u>	<u>1,922</u>	<u>1,587,349</u>
(LBITDA)/EBITDA	(459,271)	10,389	(38,752)	(11,200)	(498,834)
Depreciation	(102)	(6,014)	(159)	–	(6,275)
	<u>(459,373)</u>	<u>4,375</u>	<u>(38,911)</u>	<u>(11,200)</u>	<u>(505,109)</u>
Unallocated expenses, net					(28,940)
Finance costs					(2,031)
Loss before tax					(536,080)
Income tax credit					266,087
Loss for the year					<u>(269,993)</u>
As at 31 March 2022					
Reportable segment assets	<u>929,019</u>	<u>128,906</u>	<u>436,758</u>	<u>2,537</u>	1,497,220
Unallocated assets					31,192
Consolidated total assets					<u>1,528,412</u>
Reportable segment liabilities	<u>594,709</u>	<u>103,385</u>	<u>42,153</u>	<u>141</u>	740,388
Unallocated liabilities					135,482
Total liabilities					<u>875,870</u>

Geographical segment information

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

	Revenue	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Mainland China	263,862	1,379,357
Hong Kong	11,202	20,842
United States of America	77,033	105,757
United Kingdom	29,072	28,712
France	8,575	20,174
Other regions	27,084	32,507
	<u>416,828</u>	<u>1,587,349</u>

	Non-current assets	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Mainland China	130,863	151,710
Hong Kong	309,485	302,662
Other regions	–	4
	<u>440,348</u>	<u>454,376</u>

Information about major customers

During the year, none of the customers (2022: nil) of the Group contributed over 10% of the total revenue of the Group.

4. REVENUE AND OTHER INCOME, EXPENSE AND NET LOSSES

An analysis of revenue is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of properties	235,374	1,327,215
Sale of printed products	175,147	248,475
Others	77	670
	<u>410,598</u>	<u>1,576,360</u>
<i>Revenue from other sources</i>		
Rental income	6,230	9,067
Interest income from financial assets at fair value through profit or loss	–	1,922
	<u>6,230</u>	<u>10,989</u>
Total revenue	<u><u>416,828</u></u>	<u><u>1,587,349</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	206	457
Sales of scrap materials	334	437
Other service income	2,237	2,244
Gain on disposal of items of property, plant and equipment	80	2,311
Write-down of other non-current assets	(165)	(6,876)
Impairment of prepayments	(6,001)	–
Termination benefits costs	(3,070)	(5,840)
Net exchange loss	(816)	(2,667)
Sundries	(13,563)	(470)
	<u><u>(20,758)</u></u>	<u><u>(10,404)</u></u>

5. IMPAIRMENT OF STOCK OF PROPERTIES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Impairment of properties under development	(63,706)	(275,212)
Impairment of completed properties for sale	<u>(253,694)</u>	<u>(142,420)</u>
	<u><u>(317,400)</u></u>	<u><u>(417,632)</u></u>

6. OPERATING LOSS

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of inventories sold (printing business)	140,901	205,389
Carrying amounts of properties sold	216,803	1,323,279
Depreciation of property, plant and equipment	6,303	8,205
Less: Amount capitalised and included in cost of inventories sold for printing business	<u>(2,352)</u>	<u>(3,823)</u>
Depreciation of property, plant and equipment included in selling and marketing expenses and administrative and other operating expenses	<u>3,951</u>	<u>4,382</u>
Reversal of impairment of inventories	(1,767)	–
Impairment of accounts receivable	2,754	–
Impairment of prepayments	6,001	–
Write-down of other non-current assets	165	6,876
Government subsidies*	<u>(770)</u>	<u>(113)</u>

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

7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank and other borrowings	7,357	4,675
Interest on lease liabilities	44	106
Interest arising from revenue contracts	<u>3,009</u>	<u>18,298</u>
Total interest	10,410	23,079
Less: Interest capitalised in properties under development	<u>(7,683)</u>	<u>(21,048)</u>
Total finance costs	<u>2,727</u>	<u>2,031</u>

8. INCOME TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax — Hong Kong		
Underprovision in prior years	–	15
Current — the Mainland China		
Corporate income tax		
Charge for the year	1,272	46,867
Overprovision in prior years	–	(42,244)
Land appreciation tax		
(Credit)/Charge for the year	(2,968)	25,255
Deferred tax	<u>(6,206)</u>	<u>(295,980)</u>
Total tax credit for the year	<u>(7,902)</u>	<u>(266,087)</u>

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: nil). No interim dividend was declared during the year (2022: nil).

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$352,847,000 (2022: HK\$269,993,000) and the number of ordinary shares of 5,779,196,660 (2022: 5,779,196,660) in issue during the year.

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

11. INVESTMENT PROPERTIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Carrying amount at the beginning of the year	406,717	442,045
Changes in fair value	1,608	(40,721)
Exchange realignment	<u>(9,554)</u>	<u>5,393</u>
Carrying amount at the end of the year	<u><u>398,771</u></u>	<u><u>406,717</u></u>

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 customers with long-term business relationship, a longer credit period may be granted. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable (mainly arising from printing business) based on the invoice date and net of loss allowance at the end of the reporting period is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	11,841	21,588
31 to 60 days	10,171	3,427
61 to 90 days	5,208	8,293
Over 90 days	<u>14,677</u>	<u>19,779</u>
	<u><u>41,897</u></u>	<u><u>53,087</u></u>

13. ACCOUNTS PAYABLE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	72,194	110,059
31 to 60 days	15,973	8,335
61 to 90 days	6,482	19,695
Over 90 days	<u>36,247</u>	<u>23,459</u>
	<u><u>130,896</u></u>	<u><u>161,548</u></u>

14. EVENT AFTER THE REPORTING PERIOD

In respect of the bank borrowing of HK\$120,000,000 which the Group breached financial covenant during the year, the Group has obtained a one-off waiver from the bank on 15 June 2023 for the financial covenant of the aforesaid bank borrowings that throughout the life of the facility, the Group agrees and undertakes to the bank that its consolidated tangible net worth shall not at any time be less than a certain level. The repayment schedules of the borrowing and the repayment on demand clause remain unchanged. According to the further request from the bank, the Group is required to apply for waiver before the Group's next interim result announcement for the 6 months ending 30 September 2023.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 March 2023 (2022: nil). No interim dividend was declared and paid during the year (2022: nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Monday, 28 August 2023 (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 Wednesday, 23 August 2023 to Monday, 28 August 2023 (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 office in Hong Kong, Tricor Investor Services Limited (the “**Branch Share Registrar**”), at 17th floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 22 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of financial performance

For the year ended 31 March 2023, the Group recorded a consolidated revenue of approximately HK\$417 million (2022: HK\$1,587 million), representing a decrease of 74% from the last year. The drop in revenue was mainly resulted from the decrease in sales of residential units of a property development project in Zigong City, Sichuan Province, the People's Republic of China (the "PRC").

However, the Group's gross profit increased by 2% from the last corresponding year to approximately HK\$58 million (2022: HK\$57 million). The Group's gross margin rose to 14% (2022: 4%) of the consolidated revenue, as a result of higher gross margin recorded from the high-end residential villas sold in Zigong City. The printing business was able to expand its gross margin to 20% (2022: 18%) after spending efforts to lower the production costs.

During the year under review, a provision for impairment of stock of properties of approximately HK\$317 million (2022: 418 million) was charged to the consolidated income statement for the property development project in Zigong City. Liquidity issues of numerous property developers continued to arise during the current financial year and the market-cooling regulatory measures had scaled down the overall real estate market in Mainland China leading to a year-on-year drop in contracted residential property sales. Property developers of non-first-tier cities reacted by offering price discount to spur property sales and recoup cash. Consequently, the estimated gross margin of our high-end residential villas and car parks in Zigong City was being particularly affected and resulted in an excess of carrying values of the properties over their recoverable amounts. Accordingly, a provision for impairment on the stock of properties was made as at 31 March 2023 in accordance with the relevant accounting policies of the Company.

The Group's selling and marketing expenses dropped to approximately HK\$24 million (2022: HK\$58 million), which correlated to the decrease in revenue during the year. The administrative and other operating expenses maintained at the same level of approximately HK\$53 million (2022: HK\$53 million).

The Group's other income, expense and net losses, impairment of accounts receivable and fair value change of financial assets at fair value through profit or loss amounted to a net loss of approximately HK\$24 million (2022: HK\$22 million). The amount mainly included the fair value drop on mark-to-market valuation of quoted bonds portfolio of approximately HK\$0.3 million (2022: HK\$12 million), impairment of accounts receivable of approximately HK\$3 million (2022: nil), impairment of prepayments of approximately HK\$6 million (2022: nil), write-down on other non-current assets of approximately HK\$0.2 million (2022: HK\$7 million) and termination benefits costs of approximately HK\$3 million (2022: HK\$6 million).

The fair value gain from revaluation of investment properties as at 31 March 2023 amounted to approximately HK\$2 million (2022: loss of approximately HK\$41 million). The market values of certain investment properties as at 31 March 2023 were being improved by the positive market sentiment resulting from lifting of all the temporary quarantine measures for the novel coronavirus.

The Group's finance costs amounted to approximately HK\$3 million (2022: HK\$2 million), which were mainly related to interest charged by bank borrowings to finance the general working capital of the Group during the year.

During the year under review, the Group recorded a loss before tax of approximately HK\$361 million (2022: HK\$536 million), which was attributed to the following operating segments and factors:

- (i) Property development — loss of approximately HK\$330 million (2022: HK\$459 million);
- (ii) Printing business — loss of approximately HK\$3 million (2022: profit of approximately HK\$4 million);
- (iii) Property investment — profit of approximately HK\$5 million (2022: loss of approximately HK\$39 million);
- (iv) Treasury — loss of approximately HK\$2 million (2022: HK\$11 million);
- (v) Net unallocated expenses of approximately HK\$28 million (2022: HK\$29 million);
and
- (vi) Finance costs of approximately HK\$3 million (2022: HK\$2 million).

Loss for the year attributable to owners of the Company amounted to approximately HK\$353 million (2022: HK\$270 million), and loss per share was 6.11 HK cents (2022: 4.67 HK cents). The increase in the Group's loss was mainly affected by the net loss after tax of approximately HK\$323 million (2022: HK\$242 million) of the property development business, mainly resulting from the provision for impairment of stock of properties made as at 31 March 2023 for the property development project in Zigong City.

Review of financial position

Regarding the Group's financial position as at 31 March 2023, total assets decreased by 34% to approximately HK\$1,004 million (2022: HK\$1,528 million), which was mainly due to the recognition of carrying costs of stock of properties to costs of properties sold arising from the scheduled bulk delivery of presold properties during the year and the provision for impairment of stock of properties made as at 31 March 2023 for the property development project in Zigong City. As at 31 March 2023, net current liabilities amounted to approximately HK\$113 million (2022: net current assets of approximately HK\$246 million), whereas current ratio deriving from the ratio of current assets to current liabilities amounted to 0.83 times (2022: 1.30 times). Such changes were affected by the provision for impairment of stock of properties made as at 31 March 2023 for the property development project in Zigong City.

The net cash outflow from operating activities was approximately HK\$35 million (2022: HK\$16 million). The net cash inflow from investing activities was approximately HK\$13 million (2022: net cash outflow of approximately HK\$30 million). Taking into account the net cash inflow from financing activities of approximately HK\$6 million (2022: net cash outflow of approximately HK\$51 million), the Group recorded a net decrease in cash and cash equivalents of approximately HK\$16 million (2022: HK\$97 million). After accounting for the exchange loss on cash and cash equivalents of approximately HK\$1 million during the year under review, the balance of cash and cash equivalents (excluding restricted bank balance of approximately HK\$1 million) amounted to approximately HK\$37 million as at 31 March 2023 (2022: HK\$54 million).

Shareholders' funds attributable to owners of the Company decreased by 59% to approximately HK\$265 million (2022: HK\$653 million), representing HK\$0.05 per share (2022: HK\$0.11 per share) as at 31 March 2023. The change in equity was resulted from the net loss for the year of approximately HK\$353 million (2022: HK\$270 million), and after net of the Renminbi exchange loss arising from translation of foreign operations of approximately HK\$34 million (2022: exchange gain from translation of approximately HK\$24 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 loss of approximately HK\$330 million (2022: HK\$459 million) for the year. The operating loss was mainly resulted from the provision for impairment of stock of properties relating to the high-end residential villas and car parks of approximately HK\$317 million (2022: 418 million) for the property development project in Zigong City, which was affected by the liquidity crisis of property developers to recoup cash by lowering price. The project contributed revenue of approximately HK\$225 million (2022: HK\$1,327 million) to the Group, which was generated from the delivery of residential units with gross floor area of approximately 17,000 square meters (“sq m”) (2022: 186,000 sq m) during the year.

On 1 August 2019, the Group acquired a residential property development business containing three plots of land forming part of the Zhonggang Shenhai Forest Project (中港欒海森林項目), 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). Despite the gross floor area of approximately 190,000 sq m being sold and delivered before the date of acquisition, the three plots of land have an aggregate remaining gross floor area of approximately 500,000 sq m available for sales recognition subsequent to 1 August 2019. As at 31 March 2023, out of this gross floor area of approximately 500,000 sq m, completed residential units with gross floor area of approximately 475,000 sq m had been delivered to customers. As at 31 March 2023, the total carrying value of the completed properties for sale and properties under development in Zigong City amounted to approximately HK\$366 million (2022: HK\$692 million).

As at 31 March 2023, the Group also held 15 (2022: 18) units of residential villas for sale at the estate Ju Hao Shan Zhuang (also known as Beverly Hills) situated in Changsha City, Hunan Province, the PRC, with total gross floor area of approximately 4,700 sq m (2022: 5,600 sq m) and carrying value of approximately HK\$44 million (2023: HK\$57 million). 3 units of residential villas with gross floor area of approximately 900 sq m had been sold during the year and contributed revenue of approximately HK\$10 million (2022: nil) to the Group. The management has negotiated with potential customers for sales of the properties and some negotiations are close to conclusion. With reference to the latest regional urban planning and development of Changsha City, the management is optimistic about the prospects of these higher-end residential properties and expects to bring substantial yield to the Group.

Benefiting from the expertise of our residential development projects, the Group is exploring business opportunities for the property development business.

Printing business

The printing business includes the manufacture and sale of printed products, including art books, packaging boxes and children's books, with the production facilities located in Huizhou City, Guangdong Province, the PRC. It recorded an operating loss of approximately HK\$3 million (2022: operating profit of approximately HK\$4 million) for the year under review.

Under the influence of the soft demand of printed products resulting from the decelerating economic growth momentum under the high inflationary environment in Europe and the United States of America, the revenue of the printing business recorded a decline to approximately HK\$175 million (2022: HK\$248 million) for the year under review. However, the gross margin compared to last financial year has improved by adopting various cost control measures and by enhancing its competitive edge in innovative design, quality management and production resources. The management also reacts promptly to reduce the market challenges to a minimum by devising various modernized sourcing, manufacturing, distribution, logistics and market segmentation solutions.

The management remains cautiously optimistic about the growth momentum in the global book printing and paper packaging markets, and appropriate risk management and prompt business deployment have been carried out to channel threats into growth opportunities.

Property investment business

The property investment business involves the investment and leasing of real estate properties, which recorded an operating gain of approximately HK\$5 million (2022: operating loss of approximately HK\$39 million) for the year under review. The gain was mainly resulted from the unrealised revaluation gain of the investment properties located in Hong Kong and Mainland China of approximately HK\$2 million (2022: loss of approximately HK\$41 million), which their market values as at 31 March 2023 were improved by the positive market sentiment resulting from lifting of all of the temporary quarantine measures for the novel coronavirus.

As at 31 March 2023, the Group held the following investment properties carried at fair market value of approximately HK\$399 million (2022: HK\$407 million), which contributed rental income of approximately HK\$6 million (2022: HK\$9 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 square feet ("sq ft")	Commercial
Shop D, Ground Floor, Wuhu Residence, No. 111 Wuhu Street, Hunghom, Kowloon	1,293 sq ft	Commercial
Shops 3, 4, 5, Parkes Residence, No. 101 Parkes Street, Kowloon	2,090 sq ft	Commercial
Investment properties in Mainland China		
Level 6, Chengdu Digital Plaza, No. 1 Renmin South Road Fourth Portion, Wuhou District, Chengdu City, Sichuan Province, the PRC	4,255 sq m	Commercial
Units 01, 02, 03, 06 and 07, 38th Floor, R&F Yingkai Square, No. 16 Huaxia Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC	895 sq m	Office

The Group remains cautiously optimistic about the prospect of the property investment business. The portfolio of investment properties was acquired for long term investment purpose so as to provide a stable income stream to the Group. The Group keeps on monitoring the capital change and rental yields of the portfolio and considers to rebalance the investment portfolio when ideal opportunities arise.

Treasury business

The treasury business involves the investment and trading of debts, equity and other treasury instruments, as well as the licensed regulated activities namely advising on securities (Type 4) and asset management (Type 9) under the Securities and Future Ordinance (Chapter 571 of the Law of Hong Kong) in Hong Kong commenced since 2022. An operating loss of approximately HK\$2 million (2022: HK\$11 million) was recorded for the year under review, which was mainly affected by an unrealised fair value loss of mark-to-market valuation of the corporate bonds portfolio as at 31 March 2023 of approximately HK\$0.3 million (2022: HK\$12 million).

As at 31 March 2023, the Group held high-yield listed corporate bonds carried at mark-to-market valuation of approximately HK\$1 million (2022: HK\$2 million), equivalent to approximately 0.1% (2022: 0.1%) of the Group's total assets. Considering the high volatility in returns of the fixed-income market during the year, the Group had strategically reduced the investment portfolio of corporate bonds. The corporate bonds held by the Group as at 31 March 2023 represented bonds issued by a Hong Kong listed property developer.

The Group remains cautious in monitoring the investment portfolio's underlying price risk and credit risk by adopting an optimal risk-return balance investment strategy. In order to capture opportunities in the Hong Kong asset management market emerging from being a leading global financial hub within the Greater Bay Area, the Group is exploring into the financial and asset management services markets.

Liquidity and capital resources

As at 31 March 2023, the Group's total assets amounted to approximately HK\$1,004 million (2022: HK\$1,528 million), which were financed by shareholders' funds and various credit facilities. Banking facilities are maintained to finance the Group's working capital and committed capital expenditures, which bear interest at market rate with contractual terms of repayment ranging from within one year to five years. The Group adopts a treasury policy to 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 2023, the Group's bank and other borrowings amounted to approximately HK\$189 million (2022: HK\$175 million) while bank borrowings approximately HK\$161 million (2022: HK\$175 million) which were repayable on demand or within one year. The bank borrowings bore interest at floating rate, approximately HK\$157 million (2022: HK\$166 million) of which were denominated in Hong Kong dollar, approximately HK\$3 million (2022: HK\$9 million) of which were denominated in Renminbi and approximately HK\$1 million (2022: HK\$0.1 million) of which were denominated in United States dollar. The Group's gearing ratio was 0.71 (2022: 0.27), which was calculated based on the ratio of total bank and other borrowings of approximately HK\$189 million (2022: HK\$175 million) to the shareholders' funds of approximately HK\$265 million (2022: HK\$653 million).

As at 31 March 2023, the Group's cash and cash equivalents and restricted bank balances amounted to approximately HK\$37 million (2022: HK\$54 million) and approximately HK\$1 million (2022: HK\$15 million) respectively. Approximately HK\$20 million (2022: HK\$25 million) of the Group's cash and cash equivalents and restricted bank balances were denominated in Hong Kong dollar, approximately HK\$3 million (2022: HK\$9 million) were denominated in United States dollar, approximately HK\$15 million (2022: HK\$34 million) were denominated in Renminbi and approximately HK\$0.2 million (2022: HK\$1 million) were denominated in other currencies. As at 31 March 2023, the Group had a net debt position (being bank and other borrowings net of cash and cash equivalents and restricted bank balances) of approximately HK\$151 million (2022: HK\$106 million).

Outlook

Looking ahead to 2023, it is expected that inflation will continue to remain at a high level, and interest rates will also remain relatively high. Global economic growth is projected to continue slowing down, with some major economies facing risks of recession. Despite the Chinese government's implementation of measures to support stable economic and real estate development, it will take time for consumer housing market to be reinvigorated and confidence in economic recovery to be restored, thus posing challenges to Mainland China's economic growth.

However, the Group also takes into consideration the significant improvement in the COVID-19 situation in Mainland China, adjustments in epidemic prevention and control policies, as well as factors such as comprehensive clearance between Hong Kong and Mainland China, which have a positive impact on economic and real estate market recovery. These factors are expected to gradually boost Mainland China's macroeconomic and real estate market.

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

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

CONTINGENT LIABILITIES

As at 31 March 2023, 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\$1,061 million (2022: HK\$1,369 million).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed 157 staff and workers (2022: 237). 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 2023, the Group pledged certain assets including right-of-use assets and owned assets under property, plant and equipment, investment properties and accounts receivable with an aggregate carrying value of approximately HK\$297 million (2022: HK\$289 million) to secure bank facilities of the Group. The bank facilities of the Group are also secured by charges over equity interests in certain subsidiaries of the Group.

COMMITMENTS

As at 31 March 2023, the Group did not have capital expenditure contracted for but not provided for in the consolidated financial statements (2022: nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 March 2023.

EVENT AFTER THE REPORTING PERIOD

In respect of the bank borrowing of HK\$120,000,000 which the Group breached financial covenant during the year, the Group has obtained a one-off waiver from the bank on 15 June 2023 for the financial covenant of the aforesaid bank borrowings that throughout the life of the facility, the Group agrees and undertakes to the bank that its consolidated tangible net worth shall not at any time be less than a certain level. The repayment schedules of the borrowing and the repayment on demand clause remain unchanged. According to the further request from the bank, the Group is required to apply for waiver before the Group's next interim result announcement for the 6 months ending 30 September 2023.

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 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors of listed issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. In response to specific enquiries by the Company, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2023.

COMPETING INTERESTS

During the year ended 31 March 2023, none of the Directors or their respective close associates had any interest in a business that compete or is likely compete with the business of the Group.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's results for the year ended 31 March 2023 as set out in this preliminary results announcement have been agreed by the Group's independent auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited 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 Moore Stephens CPA Limited on this preliminary results announcement.

AUDIT COMMITTEE

An audit committee has been established by the Company (the “**Audit Committee**”) with clear terms of reference. The current members of the Audit Committee are three independent non-executive Directors, namely Mr. Liu Ying Shun (chairman of the Audit Committee), Mr. Xu Jianfeng and Mr. Wang Zhengjun.

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

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2023, including the accounting principles and practices adopted by the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 March 2023.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements, which states that during the year ended 31 March 2023, the Group had a net loss of HK\$352,847,000 and an operating net cash outflow of HK\$34,719,000, and the Group's bank loans with the aggregate amount of HK\$161,134,000 as at 31 March 2023 contain repayment on demand clause and have financial covenants which were breached during the year ended 31 March 2023, as detailed in note 26 to the consolidated financial statements. As stated in note 2 to the consolidated financial statements, these conditions, along with other matters as set forth in the note 2, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of these matters.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float as required by the Listing Rules throughout the year ended 31 March 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2023, 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 (2022: nil).

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange (www.hkexnews.hk) and the Company (www.mcgroup.hk). The annual report of the Company for the year ended 31 March 2023 containing all applicable information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 29 June 2023

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