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New Sparkle Roll International Group Limited
新耀萊國際集團有限公司

(formerly known as Sparkle Roll Group Limited 耀萊集團有限公司)
(Incorporated in Bermuda with limited liability)*

(Stock Code: 970)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

INTERIM RESULTS

The board of directors (the “**Board**”) of New Sparkle Roll International Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 September 2021 together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

| | | Six months ended | |
|--|--------------|-------------------------|--------------------|
| | | 30 September | |
| | | 2021 | 2020 |
| | <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| | | (Unaudited) | (Unaudited) |
| Revenue | 5 | 2,460,817 | 1,850,031 |
| Cost of sales | | <u>(2,039,603)</u> | <u>(1,563,825)</u> |
| Gross profit | | 421,214 | 286,206 |
| Other income, gains and losses | 5 | (87,606) | 17,787 |
| Selling and distribution costs | | (238,757) | (202,985) |
| Administrative expenses | | <u>(44,350)</u> | <u>(37,001)</u> |
| Operating profit | 6 | 50,501 | 64,007 |
| Finance costs | 7 | <u>(32,503)</u> | <u>(34,853)</u> |
| Profit before income tax | | 17,998 | 29,154 |
| Income tax | 8 | <u>18,883</u> | <u>1,804</u> |
| Profit for the period | | <u>36,881</u> | <u>30,958</u> |
| Other comprehensive income, net of tax | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Change in fair value of equity investments at fair value through other comprehensive income recognised during the period | | (3,739) | 67,965 |

| | Six months ended | |
|---|------------------------------------|--------------------------|
| | 30 September | |
| | 2021 | 2020 |
| <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences on translation of financial statements of foreign operations | <u>23,918</u> | <u>43,482</u> |
| Other comprehensive income for the period, net of tax | <u>20,179</u> | <u>111,447</u> |
| Total comprehensive income for the period | <u>57,060</u> | <u>142,405</u> |
| Profit for the period attributable to: | | |
| Owners of the Company | 37,989 | 31,413 |
| Non-controlling interests | <u>(1,108)</u> | <u>(455)</u> |
| | <u>36,881</u> | <u>30,958</u> |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 58,126 | 142,829 |
| Non-controlling interests | <u>(1,066)</u> | <u>(424)</u> |
| | <u>57,060</u> | <u>142,405</u> |
| Earnings per share attributable to owners of the Company during the period | | |
| Basic and diluted | <i>10</i> <u>HK0.7 cent</u> | <u>HK0.6 cent</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

| | | 30 September | 31 March |
|--|--------------|---------------------|------------------|
| | | 2021 | 2021 |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Audited) |
| Assets and liabilities | | | |
| Non-current assets | | | |
| Property, plant and equipment | <i>11(a)</i> | 1,042,878 | 1,021,292 |
| Investment properties | <i>11(b)</i> | 357,203 | 379,998 |
| Goodwill | <i>12</i> | 354,531 | 385,657 |
| Other intangible assets | <i>13</i> | 208,446 | 265,022 |
| Financial assets at fair value through other comprehensive income | <i>14</i> | 516,349 | 520,088 |
| Prepayment for property, plant and equipment | | 3,349 | 3,309 |
| | | <u>2,482,756</u> | <u>2,575,366</u> |
| | | ----- | ----- |
| Current assets | | | |
| Inventories | | 930,216 | 696,224 |
| Trade receivables | <i>16(a)</i> | 18,610 | 18,489 |
| Loan receivables | <i>16(b)</i> | 90,000 | 90,000 |
| Deposits, prepayments and other receivables | | 248,411 | 190,440 |
| Tax recoverable | | 3,575 | 3,575 |
| Investment in films and television program | | 64,959 | 65,023 |
| Pledged deposits | | 133,730 | 200,495 |
| Cash at banks and in hand | | 311,619 | 246,540 |
| | | 1,801,120 | 1,510,786 |
| Current liabilities | | | |
| Trade payables | <i>17</i> | 88,861 | 28,306 |
| Contract liabilities | | 249,097 | 292,925 |
| Receipts in advance, accrued charges and other payables | | 171,209 | 164,366 |
| Amounts due to non-controlling interests | <i>15</i> | 11,112 | 9,999 |
| Provision for taxation | | 4,260 | 4,478 |
| Borrowings | <i>18</i> | 535,879 | 336,056 |
| Lease liabilities | | 47,842 | 49,754 |
| | | <u>1,108,260</u> | <u>885,884</u> |

| | 30 September | 31 March |
|---|------------------------|------------------------|
| | 2021 | 2021 |
| <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Net current assets | 692,860 | 624,902 |
| Total assets less current liabilities | 3,175,616 | 3,200,268 |
| Non-current liabilities | | |
| Borrowings | 18 75,800 | 113,856 |
| Convertible bonds | 8,438 | 8,135 |
| Deferred tax liabilities | 59,215 | 78,189 |
| Lease liabilities | 282,083 | 340,792 |
| | 425,536 | 540,972 |
| Net assets | 2,750,080 | 2,659,296 |
| Equity | | |
| Share capital | 10,944 | 10,944 |
| Reserves | 2,702,137 | 2,644,011 |
| Equity attributable to owners to the Company | 2,713,081 | 2,654,955 |
| Non-controlling interests | 36,999 | 4,341 |
| Total equity | 2,750,080 | 2,659,296 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. GENERAL

New Sparkle Roll International Group Limited (the “**Company**”) is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is in Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Pursuant to the announcement of the Company dated 24 August 2021, the circular of the Company dated 26 August 2021 and the poll results announcement of the special general meeting of the Company dated 21 September 2021, together with the approval of the Registrar of Companies in the Bermuda on 28 September 2021 and the approval of the Registrar of Companies in Hong Kong on 25 October 2021, the name of the Company has been changed from “Sparkle Roll Group Limited” to “New Sparkle Roll International Group Limited” and a secondary name of the Company in Chinese of “新耀萊國際集團有限公司” has been adopted with effect from 28 September 2021.

The principal activities of the Company and its subsidiaries (together the “**Group**”) are dealerships of luxury goods and automobiles, provision of after-sales services, provision of property management services, provision of property rental services and film related business including development and investment in films and television program and money lending business. The Group’s operations are mainly based in Hong Kong and the People’s Republic of China (“**PRC**”, “**Mainland China**” or “**China**”).

In the opinion of the directors of the Company (the “**Directors**”), the Company does not have immediate holding company and ultimate holding company. The Directors regard the Company does not have ultimate controlling party.

2. BASIS OF PREPARATION

This interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 30 November 2021.

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim condensed consolidated financial statements contains selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim condensed consolidated financial statements have not been audited nor reviewed by the external auditors of the Company but has been reviewed by the Company’s audit committee.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new or amended HKFRSs that are first effective and relevant for the current accounting period of the Group:

- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest rate benchmark reform – phase 2

Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided that the other conditions for applying the practical expedient are met.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest rate benchmark reform – phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “**Reform**”). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The new or amended HKFRSs that are effective from 1 April 2021 did not have any significant impact on the Group’s accounting policies.

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with internal reporting provided to executive Directors who are responsible for allocating resources and assessing performance of the operating segments.

The executive Directors have identified the following reportable operating segments:

- (i) Auto dealership – this segment includes sales of branded automobiles, namely Bentley, Lamborghini and Rolls-Royce, and provision of related after-sales services.
- (ii) Non-auto dealership – this segment includes sales of branded watches, jewellerys, fine wines, audio equipment, menswear apparels and accessories, cigars and smoker’s accessories, silver articles and home articles.
- (iii) Property management and others – this segment includes provision of property management services, catering services, property rental services and money lending services; and film related business including development and investment in films and television program.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. Inter-segment transactions, if any, are priced with reference to prices charged to external parties for similar transaction.

Segment revenue and results

For the six months ended 30 September 2021

| | Auto dealership <i>HK\$'000</i> (Unaudited) | Non-auto dealership <i>HK\$'000</i> (Unaudited) | Property management and others <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|---------------------------------|--|--|--|---|
| Revenue from external customers | 2,229,362 | 187,077 | 44,378 | 2,460,817 |
| Other income, gains and losses | <u>19,176</u> | <u>6,935</u> | <u>(116,720)</u> | <u>(90,609)</u> |
| Reportable segment revenue | <u><u>2,248,538</u></u> | <u><u>194,012</u></u> | <u><u>(72,342)</u></u> | <u><u>2,370,208</u></u> |
| Reportable segment results | <u><u>230,245</u></u> | <u><u>(45,743)</u></u> | <u><u>(93,176)</u></u> | <u><u>91,326</u></u> |

For the six months ended 30 September 2020

| | Auto dealership <i>HK\$'000</i> (Unaudited) | Non-auto dealership <i>HK\$'000</i> (Unaudited) | Property management and others <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|---------------------------------|--|--|--|---|
| Revenue from external customers | 1,649,040 | 150,342 | 50,649 | 1,850,031 |
| Other income, gains and losses | <u>28,099</u> | <u>3,317</u> | <u>(15,865)</u> | <u>15,551</u> |
| Reportable segment revenue | <u><u>1,677,139</u></u> | <u><u>153,659</u></u> | <u><u>34,784</u></u> | <u><u>1,865,582</u></u> |
| Reportable segment results | <u><u>97,498</u></u> | <u><u>(22,104)</u></u> | <u><u>14,248</u></u> | <u><u>89,642</u></u> |

Segment assets and liabilities

As at 30 September 2021

| | Auto dealership <i>HK\$'000</i> (Unaudited) | Non-auto dealership <i>HK\$'000</i> (Unaudited) | Property management and others <i>HK\$'000</i> (Unaudited) | Total <i>HK\$'000</i> (Unaudited) |
|--|--|--|--|---|
| Reportable segment assets | 1,760,784 | 722,891 | 912,156 | 3,395,831 |
| Financial assets at fair value through other comprehensive income ("FVTOCI") | | | | 516,349 |
| Deposits, prepayments and other receivables | | | | 37,933 |
| Cash at banks and in hand | | | | 22,016 |
| Other corporate assets: | | | | |
| – financial assets | | | | 44,244 |
| – non-financial assets | | | | <u>267,503</u> |
| Consolidated total assets | | | | <u><u>4,283,876</u></u> |
| Additions to non-current segment assets during the period | 106,341 | – | – | 106,341 |
| Unallocated | | | | <u>21</u> |
| | | | | <u><u>106,362</u></u> |
| Reportable segment liabilities | 410,860 | 196,974 | 211,153 | 818,987 |
| Borrowings | | | | 611,679 |
| Other corporate liabilities: | | | | |
| – financial liabilities | | | | 25,903 |
| – non-financial liabilities | | | | <u>77,227</u> |
| Consolidated total liabilities | | | | <u><u>1,533,796</u></u> |

As at 31 March 2021

| | Auto dealership <i>HK\$'000</i> (Audited) | Non-auto dealership <i>HK\$'000</i> (Audited) | Property management and others <i>HK\$'000</i> (Audited) | Total <i>HK\$'000</i> (Audited) |
|--|--|--|--|---------------------------------------|
| Reportable segment assets | 1,595,965 | 659,343 | 1,017,980 | 3,273,288 |
| Financial assets at FVTOCI | | | | 520,088 |
| Deposits, prepayments and other receivables | | | | 26,068 |
| Cash at banks and in hand | | | | 28,704 |
| Other corporate assets: | | | | |
| – financial assets | | | | 43,620 |
| – non-financial assets | | | | <u>194,384</u> |
| Consolidated total assets | | | | <u><u>4,086,152</u></u> |
| | | | | |
| Additions to non-current segment assets during the year | 96,920 | 149 | 74 | 97,143 |
| Unallocated | | | | <u>61,511</u> |
| | | | | <u><u>158,654</u></u> |
| | | | | |
| Reportable segment liabilities | 530,089 | 114,274 | 211,789 | 856,152 |
| Borrowings | | | | 449,912 |
| Other corporate liabilities: | | | | |
| – financial liabilities | | | | 16,102 |
| – non-financial liabilities | | | | <u>104,690</u> |
| Consolidated total liabilities | | | | <u><u>1,426,856</u></u> |

A reconciliation between the total presented for the Group's operating segments and the Group's key financial figures as presented in these interim condensed consolidated financial statements is as follows:

| | Six months ended | |
|--------------------------------|-------------------------|-------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Reportable segment results | 91,326 | 89,642 |
| Bank interest income | 1,143 | 739 |
| Unallocated corporate incomes | 1,860 | 1,496 |
| Unallocated corporate expenses | (43,828) | (27,870) |
| Finance costs | (32,503) | (34,853) |
| | <hr/> | <hr/> |
| Profit before income tax | 17,998 | 29,154 |
| | <hr/> <hr/> | <hr/> <hr/> |

5. REVENUE, OTHER INCOME, GAINS AND LOSSES

| | Six months ended | |
|--|-------------------------|-------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Revenue | | |
| Revenue from contracts with customers: | | |
| <i>Recognised at point in time</i> | | |
| Sales of automobiles | 2,184,361 | 1,607,841 |
| Sales of other merchandised goods | 187,077 | 150,342 |
| <i>Recognised over time</i> | | |
| Provision of after-sales services | 45,001 | 41,199 |
| Provision of property management services | 1,023 | 11,059 |
| | <hr/> | <hr/> |
| Total revenue from contracts with customers | 2,417,462 | 1,810,441 |
| Revenue from other sources: | | |
| Interest income from provision of money lending | 3,005 | – |
| Provision of property rental services | 40,350 | 39,590 |
| | <hr/> | <hr/> |
| | 2,460,817 | 1,850,031 |
| | <hr/> <hr/> | <hr/> <hr/> |

| | Six months ended | |
|--|-------------------------|----------------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| <i>Other income, gains and losses</i> | | |
| Bank interest income | 1,143 | 739 |
| Bonus from supplier | – | 3,037 |
| Gain on disposals of property, plant and equipment | 2,422 | – |
| Gain on sales of pre-owned cars | 2,270 | – |
| Government grants | | |
| – Employment Support Scheme (<i>Note (i)</i>) | – | 468 |
| Impairment of goodwill | (35,772) | – |
| Impairment of other intangible assets | (8,627) | – |
| Income from advertising, exhibitions and other services | 18,805 | 6,660 |
| Income from insurance brokerage | 2,047 | 15,790 |
| Change in fair value of investment properties | (27,374) | (16,528) |
| Change in fair value of investment in films and television program | (847) | 140 |
| Rent concessions | – | 5,231 |
| Written off of other intangible assets | (44,100) | – |
| Written off of property, plant and equipment | – | (67) |
| Exchange difference | 90 | 1,343 |
| Others | 2,337 | 974 |
| | <u> </u> | <u> </u> |
| | <u>(87,606)</u> | <u>17,787</u> |

Note:

- (i) The amount represents salaries and wage subsidies granted under Anti-epidemic Fund by the Government of the Hong Kong Special Administrative Region for the use of paying wages of employees from June to September 2020.

6. OPERATING PROFIT

Operating profit is arrived at after charging/(crediting):

| | Six months ended | |
|---|-------------------------|---------------|
| | 30 September | |
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Amortisation of other intangible assets | 7,042 | 4,858 |
| Cost of inventories recognised as expense | 2,034,042 | 1,560,149 |
| Depreciation of property, plant and equipment | 47,165 | 51,616 |
| Exchange differences, net | (90) | (1,343) |
| Government grants | | |
| – Employment Support Scheme | – | (468) |
| Interest on lease liabilities | 11,749 | 12,569 |
| Impairment of goodwill | 35,772 | – |
| Impairment of other intangible assets | 8,627 | – |
| Lease payments not included in the measurement of lease liabilities | 869 | 6,318 |
| Gain on disposal of property, plant and equipment | (2,422) | – |
| Rent concessions | – | (5,231) |
| Written off of other intangible assets | 44,100 | – |
| Written off of property, plant and equipment | – | 67 |
| Employee costs, including directors' emoluments | 22,967 | 21,797 |
| Contributions to retirement benefits scheme | 4,426 | 2,494 |
| Employee benefit expenses | 27,393 | 24,291 |

7. FINANCE COSTS

| | Six months ended | |
|---------------------------------------|------------------|-----------------|
| | 30 September | |
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Interest on bank borrowings | 11,216 | 11,020 |
| Interest on other loans | 9,235 | 11,264 |
| Interest on lease liabilities | 11,749 | 12,569 |
| Imputed interest on convertible bonds | 303 | – |
| | <u>32,503</u> | <u>34,853</u> |

8. INCOME TAX

Hong Kong profits tax is calculated at two-tiered rates on the estimated assessable profits arising in Hong Kong at 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the six months ended 30 September 2020 and 2021.

The Group's subsidiaries in Mainland China are subject to income tax at the rate of 25% except that a subsidiary is entitled to tax exemption for the six months ended 30 September 2020 and 2021.

| | Six months ended | |
|-------------------------------------|------------------|-----------------|
| | 30 September | |
| | 2021 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Current tax | | |
| – Hong Kong profits tax | | |
| Charge for the period | – | – |
| – Income tax of other jurisdictions | | |
| Charge for the period | 789 | 784 |
| Under-provision in prior years | 239 | 96 |
| | <u>1,028</u> | 880 |
| Total current tax | 1,028 | 880 |
| Deferred tax | (19,911) | (2,684) |
| | <u>(18,883)</u> | <u>(1,804)</u> |

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2020 and 2021, nor has any dividend been proposed since the end of reporting period.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

| | Six months ended 30 September | |
|--|----------------------------------|-----------------------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Earnings | | |
| Earnings for the purposes of basic earnings per share | 37,989 | 31,413 |
| Effect of dilutive potential ordinary shares: | | |
| Imputed interest on convertible bonds | <u>303</u> | <u>–</u> |
| Earnings for the purposes of diluted earnings per share | <u>38,292</u> | <u>31,413</u> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 5,471,953,447 | 5,003,453,497 |
| Effect of dilutive potential ordinary shares: | | |
| – Convertible note issued by the Company | <u>40,000,000</u> | <u>–</u> |
| Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share | <u>5,511,953,447</u> | <u>5,003,453,497</u> |

The Company did not have any potential ordinary shares outstanding during the six months ended 30 September 2020. Accordingly, diluted earnings per share are equal to basic earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES

(a) Property, plant and equipment

During the six months ended 30 September 2021, the Group acquired items of property, plant and equipment at a total cost of HK\$106,362,000 (six months ended 30 September 2020: HK\$29,574,000). Items of property, plant and equipment with a net carrying amount of HK\$27,242,000 were disposed of during the six months ended 30 September 2021 (six months ended 30 September 2020: nil).

(b) Investment properties

All investment properties of the Group are situated in Mainland China and held under medium lease terms.

No investment property was derecognised during the six months ended 30 September 2021 (six months ended 30 September 2020: HK\$14,227,000) due to the lease modification (i.e. shortening the contractual lease terms). The change in fair value of approximately HK\$27,374,000 (six months ended 30 September 2020: HK\$16,528,000) was recognised during the period.

The Group measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

The Group's investment properties were revalued on 31 March 2021 and 30 September 2021 by CHFT Advisory And Appraisal Limited ("CHFT"), an independent firm of professional surveyors, on an open market value basis.

All investment properties were classified under Level 3 fair value hierarchy.

Fair value is determined by applying the income approach, using the term and reversion method, based on the estimated rental value of the property. The valuation takes into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

12. GOODWILL

| | As at 30 September 2021 <i>HK\$'000</i> (Unaudited) | As at 31 March 2021 <i>HK\$'000</i> (Audited) |
|--|--|---|
| At cost: | | |
| At beginning of the period/year | 809,066 | 746,931 |
| Exchange differences | <u>9,747</u> | <u>62,135</u> |
| At end of the period/year | <u>818,813</u> | <u>809,066</u> |
| Accumulated impairment: | | |
| At beginning of the period/year | (423,409) | (365,953) |
| Impairment loss recognised during the period/year | (35,772) | (26,136) |
| Exchange differences | <u>(5,101)</u> | <u>(31,320)</u> |
| At end of the period/year | <u>(464,282)</u> | <u>(423,409)</u> |
| Net carrying amount | <u>354,531</u> | <u>385,657</u> |
| The carrying amount of goodwill allocated to each of the cash generating units is as follows: | | |
| Auto dealership | 219,500 | 216,886 |
| Property management services | <u>135,031</u> | <u>168,771</u> |
| | <u>354,531</u> | <u>385,657</u> |

For the purpose of the goodwill impairment test, the Directors determined the recoverable amounts of the cash-generating units (“CGUs”) from value-in-use calculations with reference to the business valuations performed by management and CHFT Advisory and Appraisal Limited, an independent firm of professionally qualified valuers where applicable using the income approach.

The recoverable amount of the CGUs of the property management services have been determined to be HK\$384,293,000 by the Directors with reference to a value-in-use calculation, using cash flow projection based on estimates and financial budgets approved by management covering the remaining lease term of the property leases with a pre-tax discount rate of 17.7% for the six months ended 30 September 2021.

Base on the impairment assessment, management determined that the recoverable amount of the CGUs of property management services is lower than the carrying amount. The impairment amount has been allocated to goodwill, such that the carrying amount is not reduced below the highest of its fair value less cost of disposal, its value in use and HK\$384,293,000. Impairment losses of HK\$35,772,000 have been recognised.

13. OTHER INTANGIBLE ASSETS

During the six months ended 30 September 2020 and 2021, no intangible assets were acquired by the Group. During the six months ended 30 September 2021, a total amount of HK\$44,100,000 of customers' list from a property management contract was written off due to the change of properties ownership which leading the property management contracts became unexecutable.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | As at 30 September 2021 <i>HK\$'000</i> (Unaudited) | As at 31 March 2021 <i>HK\$'000</i> (Audited) |
|---|---|---|
| Listed equity securities, at fair value | <u>516,349</u> | <u>520,088</u> |

The balance represented the equity investment in Bang & Olufsen A/S whose shares are listed and traded on Nasdaq Copenhagen A/S. The fair value was based on quoted market price as at 30 September 2021 and 31 March 2021. The equity investment was irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

15. BALANCES WITH NON-CONTROLLING INTERESTS

Amounts due to the non-controlling interests are unsecured, interest-free and repayable on demand.

16. TRADE RECEIVABLES AND LOAN RECEIVABLES

(a) Trade receivables

Trade receivables represent rental receivable from tenants, and sales from customers. The Group's trading terms with its retail customers are mainly receipts in advance from customers or cash on delivery, except for certain transactions with creditworthy customers where the credit period is extendable up to three months, whereas the trading terms with wholesale customers are generally one to two months. In addition, the Group generally provides a credit term of two to three months to automobile manufacturers for the in-warranty after-sale services. The Group seeks to maintain strict control over its outstanding trade receivables and has a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by the management.

An ageing analysis of trade receivables as at the end of the reporting dates, based on the invoice dates, is as follows:

| | As at 30 September 2021 <i>HK\$'000</i> (Unaudited) | As at 31 March 2021 <i>HK\$'000</i> (Audited) |
|---------------|--|---|
| 0-30 days | 3,561 | 15,976 |
| 31-120 days | 12,864 | 2,513 |
| Over 120 days | 2,185 | – |
| | <u>18,610</u> | <u>18,489</u> |

Trade receivables that were neither past due nor impaired related to certain customers from whom there was no recent history of default.

(b) Loan receivables

| | <i>Notes</i> | As at 30 September 2021 <i>HK\$'000</i> (Unaudited) | As at 31 March 2021 <i>HK\$'000</i> (Audited) |
|-------------------------------------|--------------|--|---|
| Loans to independent third parties: | | | |
| – Loan A | <i>(i)</i> | 58,000 | 58,000 |
| – Loan B | <i>(ii)</i> | 32,000 | 32,000 |
| | | <u>90,000</u> | <u>90,000</u> |

Loan receivables were neither past due nor impaired.

Notes:

- (i) The Group entered into the loan agreement with the independent third party with a principal amount of HK\$58,000,000 for a term of 12 months, bearing interest at a rate of 6.5% per annum. The loan is secured by a charge over receivables of the borrower executed by the borrower; and a personal guarantee executed by the guarantor.
- (ii) The Group entered into the loan agreement with the independent third party with a principal amount of HK\$32,000,000 for a term of 12 months, bearing interest at a rate of 7% per annum. The loan is secured by a personal guarantee executed by the guarantor.

17. TRADE PAYABLES

The following is an ageing analysis of trade payables based on the invoice dates as at the end of the reporting dates:

| | As at 30 September 2021 <i>HK\$'000</i> (Unaudited) | As at 31 March 2021 <i>HK\$'000</i> (Audited) |
|--------------|---|---|
| 0-30 days | 2,336 | 31 |
| 31-60 days | 52,980 | 26,645 |
| 61-90 days | – | – |
| Over 90 days | <u>33,545</u> | <u>1,630</u> |
| | <u>88,861</u> | <u>28,306</u> |

18. BORROWINGS

| | As at 30 September 2021 <i>HK\$'000</i> (Unaudited) | As at 31 March 2021 <i>HK\$'000</i> (Audited) |
|--|---|---|
| Current | | |
| Bank loans | 180,672 | 177,813 |
| Other loans | <u>355,207</u> | <u>158,243</u> |
| | <u>535,879</u> | <u>336,056</u> |
| Non-current | | |
| Bank loans | <u>75,800</u> | <u>113,856</u> |
| Total | <u>611,679</u> | <u>449,912</u> |
| Effective interest rates per annum in range of: | | |
| – fixed rate borrowings | <u>1.54% to 8.50%</u> | <u>1.59% to 8.50%</u> |

Notes:

- (i) The borrowings are substantially denominated in Renminbi (“**RMB**”) and HK\$.
- (ii) As at the reporting date, all the current borrowings were repayable on demand or scheduled to be repaid on demand or within one year and none of the non-current bank loans is expected to be settled within one year.
- (iii) As at 30 September 2021 and 31 March 2021, certain of the Group’s assets were pledged to secure the loan facilities granted to the Group.
- (iv) Certain borrowings were secured by corporate guarantees executed by the Company and certain subsidiaries during the six months ended 30 September 2021 and the year ended 31 March 2021.
- (v) Certain borrowings were secured by guarantees executed by a director of a subsidiary in China during the six months ended 30 September 2021 and the year ended 31 March 2021.
- (vi) Certain borrowings were secured by guarantees executed by a former controlling shareholder of the Company and his spouse during the six months ended 30 September 2021 and the year ended 31 March 2021.
- (vii) Certain borrowings were secured by guarantee of state-owned enterprise of the PRC.
- (viii) Certain borrowings were secured by the properties held by an independent third party during the year ended 31 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The economic growth of the PRC is likely to slow to 5.5% in 2022 from an expected expansion of 8.2% this year based on median forecasts of 56 economists polled by Reuters in October 2021. The world's second largest economy has rebounded from the COVID-19 pandemic but there are signs of a slowdown. Problems including falling factory activity, persistently soft consumption and a slowing property sector have dimmed China's economic outlook.

While the National Bureau of Statistics of China released the data of the gross domestic product (“GDP”) on 18 October 2021 setting an annual GDP growth target at above 6% after growing the least in over four decades in 2020.

China's Luxury Goods Market

There are multiple ongoing updates and research reports published by reputable authorities, investment banks and global research houses in relation to the projected growth of demand for luxury goods in China for the reason that the China market is flourishing, surging local spending in the United States of America (“US”) and strength of online channel, which allow the luxury industry to return to 2019 levels faster than expected in accordance to the 20th edition of the Bain & Company (“Bain”) Luxury Study in collaboration with Fondazione Altgamma, the Italian luxury goods manufacturers' industry foundation, dated 11 November 2021. The report mentioned the changes in the luxury industry over the past 20 years have been remarkable, and the emergence from the COVID-19 crisis comes as a renaissance for luxury brand. After navigating an unpredictable year, the luxury industry returned to growth in the second and third quarters when compared to 2019. Bain expects that the most likely outcome for the fourth quarter will be 1% growth versus 2019, which would allow the year to end on a positive note. Driving this growth is the remarkable momentum in China, where the market size has doubled since 2019, as well as solid growth in the US, where a new map of luxury is fast emerging with increased importance of secondary cities and suburban areas. China now represents €60 billion or 21% of the global market as the second largest global market for luxury after the US.

China is a fast-growing luxury market which is back in a big way based on an article titled “The new generation of Chinese consumers reshaping the luxury market” issued by The Drum, a global media platform and biggest marketing website in Europe, on 16 September 2021. It mentioned the recent explosion in personal wealth in China combined with a highly style-conscious society means that luxury is back in a big way, and the youth market is at its core. The fast-growing China market now accounts for over 35% of global luxury spending, and this percentage is on the rise. With half of these consumers are gen Z and millennials, they are set to become pivotal players in extravagant purchasing – a shift of the luxury industry cannot afford to ignore. In 2020, China was the second largest international luxury market after the US – valued at €44 billion and €55 billion respectively. This gap is swiftly closing, with China’s market share rising by roughly 1% each year. Also, there are now over 80 million gen Zs over the age of 20 in China – the age most consumers make their first luxury purchase.

BUSINESS REVIEW

Automobile Dealerships

During the financial period under review, Bentley, Lamborghini and Rolls-Royce recorded positive sales results. Rolls-Royce performed the best with the largest sales increment, amounting to approximately HK\$992.6 million and representing approximately 46.4% increase in sales in the financial period under review from approximately HK\$677.8 million during the corresponding financial period last year. A total of 146 units of Rolls-Royce were sold, representing an increase of approximately 40.4% as compared with 104 units sold in the corresponding financial period last year.

According to the official press release titled “Rolls-Royce motor cars reports record first quarter results” under the Rolls-Royce website dated 8 April 2021 reported Rolls-Royce Motor Cars has delivered the highest-ever first quarter sales results in the marque’s 116-year history in the first three months of 2021. Between 1 January and 31 March 2021, the company delivered 1,380 motor cars to customers, up 62% on the same period in 2020 and surpassing the previous first quarter record set in 2019. Sales growth was seen in all markets, with the strongest in China, the US and Asia Pacific.

Bentley recorded a rise in sales during the financial period under review with a total of approximately HK\$1,011.8 million, representing an increase of approximately 28.4% as compared with that of approximately HK\$787.9 million recorded in the corresponding financial period last year. At the same time, a total of 277 units of Bentley were sold, representing an increase of approximately 19.4% as compared with 232 units sold in the corresponding financial period last year.

Lamborghini recorded approximately 11.4% increase in unit sales to 49 units sold during the financial period under review, as compared with 44 units sold in the corresponding financial period last year. The brand recorded an increase in sales during the financial period under review with a total of approximately HK\$180.0 million, representing an increase of approximately 26.7% as compared with that of approximately HK\$142.1 million recorded in the corresponding financial period last year.

Revenue from after-sales services during the financial period under review has increased. It reached approximately HK\$45.0 million, amounting to an increase of approximately 9.2% as compared with the revenue recorded in the corresponding financial period last year. Regarding the gross profit margin, we saw a decrease from approximately 45.9% in the corresponding financial period last year to approximately 32.1% in the financial period under review.

Non-auto Dealerships

During the financial period under review, the sales performance of our non-auto dealership division recorded an increase of approximately 24.5% to approximately HK\$187.1 million as compared with approximately HK\$150.3 million in the corresponding financial period last year.

Gross profit margin of the non-auto dealership division decreased from 35.0% in the previous financial period to 26.7% in the financial period under review. The decline was mainly driven by a decrease in gross profit margin of the sales of audio equipment.

Among all brands under the division including watch, jewellery, fine wine, audio equipment, menswear apparel and accessories, cigars and smoker's accessories and silver and home articles, Bang & Olufsen performed the best in terms of sales revenue contribution and Georg Jensen performed the best in terms of growth during the financial period under review.

In order to further develop the non-auto dealership division, the Group has newly engaged in sales of health care products and also co-operated with Sichuan Liquor Group, a leading liquor manufacturer and retailer in the Mainland China, to produce the own branded liquor – “國釀•耀萊醇釀”.

Others

During the financial period under review, the revenue from our others division, which includes the provision of property management services, films and television program investments and money lending business, recorded a decrease of approximately 12.3% to approximately HK\$44.4 million, as compared with approximately HK\$50.6 million in the previous financial period. The decrease was mainly due to decrease of revenue in the property management business.

Regarding the property management business, the revenue recorded a decrease of approximately 18.2% to approximately HK\$41.4 million, as compared with approximately HK\$50.6 million in the corresponding financial period last year. The decrease was due to decrease in the property management fee income and sub-lease income during the financial period under review.

Regarding the film business, due to the recent outbreak of the community transmission of the Delta variant of the COVID-19, the releasing schedules of our film investments have been further postponed. No revenue was generated during the financial period under review.

Regarding the Earn-out Adjustments as defined and mentioned in the Company's announcement dated 29 October 2018 and supplemental announcement dated 30 December 2018, based on the calculation results as at 30 September 2021, the Target Group (as defined in the Company's announcement dated 29 October 2018) still recorded a loss and therefore the Group did not have any contingent liability arising out of it.

Regarding the money lending business, the revenue recorded HK\$3.0 million accrued interest income for the six months ended 30 September 2021 (six months ended 30 September 2020: nil). No new loan was granted during the period under review.

Equity Investment

As at 30 September 2021, the Group held 14,059,347 shares (31 March 2021: 14,059,347 shares) of Bang & Olufsen A/S ("**B&O**"), approximately 11.45% of its total issued shares, as a long term investment for capital appreciation and distributions. B&O is a company incorporated in Denmark whose shares are listed and traded on Nasdaq Copenhagen A/S. The carrying amount of this investment represented approximately 12.1% of the total assets of the Group as at 30 September 2021.

No dividend was generated from this investment to the Group during the financial period under review.

The Group's financial assets at FVTOCI of HK\$516 million as at 30 September 2021 (31 March 2021: HK\$520 million) represented the Group's strategic investment on B&O. The decrease in carrying amount of the Group's financial assets at FVTOCI during the financial period under review was mainly due to change on exchange, exchange rate from Danish Krone ("**DKK**") to Hong Kong dollar was 1: 1.2153 (31 March 2021: 1: 1.2241) representing a decrease of approximately 0.7% during the financial period under review. The share price of B&O remained as DKK30.22 per share as at 30 September 2021 (31 March 2021: DKK30.22 per share) as quoted on the Nasdaq Copenhagen A/S.

OUTLOOK

China is the only major economy to grow in 2020 for 2.3% and is projected to tick up 8% in 2021 based on the International Monetary Fund forecast under the global COVID-19 pandemic. Our Group's businesses had also been picking up while we strive to prepare for sufficient reserve during the COVID-19 pandemic, hoping to achieve stable improvement in profitability for better full year results.

Regarding the auto dealership segment, the supply of luxury autos remained stable during the financial period ending 30 September 2021. The market demand is still keen and we expect that the sales performance of automobiles will remain the same in the second half of this financial year.

Due to the impact from the policy implementation on reform of auto insurance in early 2020, the income from insurance brokerage has decreased since the last interim results. It is expected that the decrease will be flatten out while the income generated from after-sales services will be steady.

Regarding the Group's non-auto dealership segment, revenue of sales of audio products has improved compared with the same financial period last year. Given the "Double Eleven" success in 2021, it is expected that there will be a full year growth in terms of revenue in this business. Also, it is expected that Georg Jensen, a newly-acquired dealership brand for 2 years under the non-auto dealership segment, will double its revenue in the financial period in 2022. For watches, jewellery and fine wine, no significant contribution was recorded during the current financial period since we continue destocking this segment. For the wine business, it is expected that the Group's new co-operation with a leading liquor manufacturer will bring a positive effect to the Group's liquor business.

Due to the continuing COVID-19 pandemic, there were further postponement of the releasing schedules, affecting the Group's film business. For the property management business, due to the tightening of real estate policies in China, the degradation of physical stores and the keen competition of the industry, it is expected that the property management business of the Group is continuously descending in the upcoming second half of this financial year.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 September 2021 was approximately HK\$2,460.8 million, representing an increase of approximately 33.0% as compared with that of approximately HK\$1,850.0 million recorded in the corresponding financial period last year. The increase was driven by an increase in unit sold of automobiles and audio products. The table below sets out the Group's revenue by segments for the period indicated:

| Revenue Source | Six months ended 30 September | | | | Changes | |
|-----------------------------------|-------------------------------|----------|------------------|-------|----------------|---------|
| | 2021 | | 2020 | | HK\$'000 | % |
| | Contribution | | Contribution | | | |
| HK\$'000 | (%) | HK\$'000 | (%) | | | |
| Automobile segment | | | | | | |
| Sales of automobiles | 2,184,361 | 88.8% | 1,607,841 | 86.9% | 576,520 | 35.9% |
| Provision of after-sales services | 45,001 | 1.8% | 41,199 | 2.2% | 3,802 | 9.2% |
| Sub-total | 2,229,362 | 90.6% | 1,649,040 | 89.1% | 580,322 | 35.2% |
| Non-automobile dealership segment | 187,077 | 7.6% | 150,342 | 8.2% | 36,735 | 24.4% |
| Property management and others | 44,378 | 1.8% | 50,649 | 2.7% | (6,271) | (12.4%) |
| Total | <u>2,460,817</u> | 100% | <u>1,850,031</u> | 100% | <u>610,786</u> | 33.0% |

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 September 2021 increased by approximately 47.2% to approximately HK\$421.2 million (30 September 2020: approximately HK\$286.2 million) while the gross profit margin of the Group for the six months ended 30 September 2021 increased from 15.5% to 17.1%. The increase in gross profit was mainly attributable to increase in gross profit of the sales of automobiles and incentive bonuses offered by the automobile suppliers. The gross profit of the sales of automobiles increased by approximately HK\$148.4 million during the financial period under review.

Other Income, Gains and Losses

Other income, gains and losses recorded a net loss of approximately HK\$87.6 million for the six months ended 30 September 2021 (30 September 2020: a net gain of approximately HK\$17.8 million). Such change was mainly due to write off of other intangible assets, impairment of goodwill on property management business and decrease in income from insurance brokerage.

Selling and Distribution Costs

The selling and distribution costs increased by approximately 17.6% to HK\$238.8 million during the period under review as compared with HK\$203.0 million for the corresponding period of the last financial year. The increase was mainly due to increase in marketing and promotion expenses.

Administrative Expenses

The administrative expenses increased by approximately HK\$7.4 million from HK\$37.0 million for the six months ended 30 September 2020 to HK\$44.4 million for the six months ended 30 September 2021. The changes were mainly due to increase in amortisation during the period under review.

Finance Costs

The financing costs of the Group decreased by approximately 6.7% from approximately HK\$34.9 million for the six months ended 30 September 2020 to approximately HK\$32.5 million for the six months ended 30 September 2021, due to the decrease in borrowings for purchase of automobiles inventories during the first quarter of this financial year.

Property, Plant and Equipment

The Group's property, plant and equipment as at 30 September 2021 were approximately HK\$1,042.9 million (31 March 2021: approximately HK\$1,021.3 million). During the six months ended 30 September 2021, the Group acquired items of property, plant and equipment at a total cost of approximately HK\$106.4 million (six months ended 30 September 2020: approximately HK\$29.6 million), and a net carrying amount of approximately HK\$27.2 million of property, plant and equipment were disposed of during the six months ended 30 September 2021 (the net carrying amount for the six months ended 30 September 2020: nil).

Investment Properties

The Group's investment properties as at 30 September 2021 were approximately HK\$357.2 million (31 March 2021: approximately HK\$380.0 million). The change in value of investment properties was mainly due to decrease in fair value incurred during the financial period under review.

Other Intangible Assets

The Group's other intangible assets as at 30 September 2021 were approximately HK\$208.4 million (31 March 2021: approximately HK\$265.0 million). The change in value of other intangible assets was mainly due to the write-off of customers' list from a property management contract. The properties ownership being under one of the property management contracts had been changed, therefore, such management contract became unexecutable.

Goodwill

The Group's goodwill as at 30 September 2021 was approximately HK\$354.5 million (31 March 2021: approximately HK\$385.7 million). The decrease in goodwill was mainly due to the impairment of goodwill on property management business incurred during the financial period under review, arising from increase in rental cost of one of the sub-lease projects and decrease in property management services income.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 September 2021 were approximately HK\$4,283.9 million (31 March 2021: approximately HK\$4,086.2 million) which were financed by the total equity and total liabilities of approximately HK\$2,750.1 million (31 March 2021: approximately HK\$2,659.3 million) and HK\$1,533.8 million (31 March 2021: approximately HK\$1,426.9 million) respectively.

Cash Flow

The Group's cash and cash equivalents as at 30 September 2021 were approximately HK\$311.6 million (31 March 2021: approximately HK\$246.5 million) which were mainly denominated in Hong Kong dollars (“**HK\$**”) and Renminbi (“**RMB**”).

The Group's primary uses of cash are to repay the Group's borrowings, to pay for purchases of inventories and to fund the Group's working capital and normal operating costs. The increase of the Group's cash at banks and in hand was mainly attributable to the decrease in pledged deposit for banking and other facilities when compared with the year ended 31 March 2021.

The Directors consider that the Group will have sufficient working capital for its existing operations and financial resources for financing future business expansion and capital expenditures.

Borrowings

The Group's borrowings as at 30 September 2021 were approximately HK\$611.7 million, representing an increase of approximately 36.0% from approximately HK\$449.9 million as at 31 March 2021. The Group's borrowings were mainly denominated in RMB. The increase was mainly due to purchase of automobiles inventories during the financial period under review.

Gearing Ratio

The Group's gearing ratio computed as total borrowings over the total equity decreased to approximately 22.5% as at 30 September 2021 (31 March 2021: approximately 17.2%).

Inventories

As at 30 September 2021, the Group's inventories increased by approximately 33.6% from approximately HK\$696.2 million as at 31 March 2021 to approximately HK\$930.2 million. Such increase was primarily due to the increase in automobile and audio equipment which comprised approximately 39.9% and 31.8% of the inventories of the Group respectively.

The Group's average inventory turnover days decreased from 91 days for the six months ended 30 September 2020 to 73 days for the six months ended 30 September 2021.

Exposure to Foreign Exchange Risk

The revenue and expenses of the Group are mainly denominated in RMB and HK\$ while the production cost, purchases and investments of the Group are denominated in RMB, HK\$, DKK and United States dollar ("USD").

The Group did not enter into any foreign currency forward contract for the financial period under review. As at 30 September 2021, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts (30 September 2020: nil).

Contingent Liabilities and Capital Commitment

The Board considered that the Group had no material contingent liabilities as at 30 September 2021 (31 March 2021: nil). The Board considered that the Group had no material capital commitment as at 30 September 2021 in respect of acquisition of property, plant and equipment (31 March 2021: nil).

Charges on Assets

As at 30 September 2021, land and buildings, deposits and inventories of the Group with aggregate carrying amounts of approximately HK\$787.5 million (31 March 2021: approximately HK\$693.8 million), approximately HK\$133.7 million (31 March 2021: approximately HK\$200.5 million) and approximately HK\$320.1 million (31 March 2021: approximately HK\$47.4 million) respectively were pledged to secure general banking facilities and other facilities granted to the Group.

Human Resources

As at 30 September 2021, the Group had 441 employees (31 March 2021: 438). Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK\$27.4 million for the six months ended 30 September 2021 (six months ended 30 September 2020: approximately HK\$24.3 million).

The Group provided benefits, which included basic salary, commission, discretionary bonus, medical insurance and retirement funds to employees to sustain the competitiveness of the Group. The package was reviewed on an annual basis based on the Group's performance and employees' performance appraisal. The Group also provided training to the employees for their future advancement.

LITIGATION

On 6 July 2021, the Company received a writ of summons ("**Writ**") issued from the High Court of Hong Kong ("**High Court**") by the plaintiff, Sparkle Roll Holdings Limited (In Receivership) (the "**Plaintiff**"), in which the Company and its financial controller and company secretary (the "**Secretary**") were, among other defendants, named as the defendants. In the statement of claim indorsed with the Writ, the Plaintiff alleged that the 1st defendant, being the beneficial owner of the Plaintiff, inter alia, breached his statutory obligation under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**") by failing to make public disclosures of interest to the Stock Exchange in respect of the certain transfers of his ultimate beneficial interests in the shares of the Company. The Plaintiff further alleged that by failing to take action to rectify the 1st Defendant's failure, the Company and the Secretary also breached their statutory reporting obligations under the SFO and conspired to injure the Plaintiff by unlawful means. The Plaintiff thus claimed against, among the other defendants, the 1st defendant, the Company and the Secretary jointly and severally for damages of approximately HK\$143 million, interest and costs. The Company had obtained a preliminary written advice from a Senior Counsel whose preliminary view was that the Plaintiff's pleaded case against the Company and the Secretary lacks sufficient particulars so as to disclose a viable claim on the face of the pleadings and hence not sustainable at this stage.

On 9 September 2021, the Plaintiff's action against the Company and the Secretary was dismissed by an order by consent made by the High Court (the "**Consent Order**"). The Consent Order includes, inter alia, the undertaking of the Plaintiff not to commence any new action against the Company and the Secretary based on the same cause of action or any causes of actions based on the same or similar underlying facts and circumstances as the present action, the Plaintiff's action as against the Company and the Secretary be dismissed and no order as to costs. Further details of the abovementioned matters were set out in the announcements of the Company dated 9 July and 9 September 2021.

CHANGE OF COMPANY NAME, CHANGE OF STOCK SHORT NAME AND AMENDMENTS TO THE MEMORANDUM OF ASSOCIATION AND BYE-LAWS

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting of the Company held on 21 September 2021, the English name of the Company has been changed from "Sparkle Roll Group Limited" to "New Sparkle Roll International Group Limited" and the secondary name of the Company in Chinese of "新耀萊國際集團有限公司" has been adopted with effect from 28 September 2021 pursuant to the Certificate of Change of Name and the Certificate of Secondary Name issued by the Registrar of Companies in Bermuda. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 25 October 2021 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

The stock short name of the Company for trading in the Shares on the Stock Exchange has been changed from "SPARKLE ROLL" to "NEW SPARKLEROLL" in English and from "耀萊集團" to "新耀萊" in Chinese with effect from 1 November 2021. The stock code of the Company on the Stock Exchange remains unchanged as "970".

The Memorandum of Association and the Bye-laws of the Company have been amended and restated to reflect the above change of Company name. For details, please refer to the announcements of the Company dated 24 August, 26 August, 21 September and 27 October 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in dealerships of luxury goods and automobiles, provision of after-sales services, property management services, property rental services, film related business including development and investment in films and television program and money lending business. The Group's operations are mainly based in Hong Kong and Mainland China.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: nil) as the Group would like to reserve more capital to capture opportunities and meet the challenges ahead.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules to govern securities transactions by the Directors. After having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code throughout the six months ended 30 September 2021.

The Company also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company during the six months ended 30 September 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance. The Board agrees that corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure that all practices can be met with legal and statutory requirements. Throughout the six months ended 30 September 2021, the Group has adopted the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “**Code**”) contained in Appendix 14 to the Listing Rules. The Company has been in compliance with the Code throughout the six months ended 30 September 2021 except for the deviation from provision A.2.1 of the Code since 1 January 2018.

According to provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zheng Hao Jiang is the chairman of the Board and the Chief Executive Officer of the Company with effect from 1 January 2018 and the Co-Chairman of the Board (the “**Co-Chairman**”) with effect from 8 July 2020, responsible for overall strategic development, project management and client management of the Group. Mr. Ma Chao, an executive Director, was appointed as a Co-Chairman with effect from 8 July 2020. The Board believes that vesting the roles of both Co-Chairman and chief executive officer in the same person has the benefit of ensuring consistent leading within the Group and will enable the Company to make and implement decisions promptly and effectively; and considers that such arrangement will not impair the balance of power and authority between the Board and the management and that the Company has sufficient internal controls to provide checks and balances on the functions of the Co-Chairman and the chief executive officer. Nevertheless, the Board will review such arrangement from time to time in light of the prevailing circumstances.

In addition, the Audit Committee of the Company (the “**Audit Committee**”), comprised exclusively independent non-executive Directors, can communicate with the Company’s external auditors and independent professional advisers freely and directly when it considers necessary.

Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Choy Sze Chung, Jojo (Chairman of the Audit Committee), Mr. Lam Kwok Cheong and Mr. Gao Yu with written terms of reference in line with the code provisions set out in the Code. The Audit Committee has reviewed and approved the interim condensed consolidated financial statements of the Group for the six months ended 30 September 2021 with no disagreement with the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.hk970.com. The interim report of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

By Order of the Board
New Sparkle Roll International Group Limited
Zheng Hao Jiang
Co-Chairman

Hong Kong, 30 November 2021

As at the date of this announcement, the Company has four executive Directors and five independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, Mr. Ma Chao, Mr. Zhao Xiaodong and Mr. Zhu Lei. The independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong, Mr. Gao Yu, Mr. Liu Hongqiang and Mr. Liu Xiaoyi.

* *for identification purpose only*