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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 2019

INTERIM RESULTS

The board of directors (the "Board") of Sparkle Roll 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 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**1,748,357**	1,759,937
Cost of sales		**(1,438,045)**	(1,515,496)
Gross profit		**310,312**	244,441
Other income, gains and losses	*5*	**18,002**	52,021
Selling and distribution costs		**(210,210)**	(195,950)
Administrative expenses		**(49,317)**	(73,768)
Other expenses		**–**	(5,720)
Operating profit	*6*	**68,787**	21,024
Finance costs	*7*	**(39,642)**	(13,008)
Profit before income tax		**29,145**	8,016
Income tax	*8*	**6,136**	(240)
Profit for the period		**35,281**	7,776

	Note	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Change in fair value of equity investments at fair value through other comprehensive income recognised during the period		**(148,020)**	(108,585)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(85,030)**	(71,880)
Other comprehensive income for the period, net of tax		**(233,050)**	(180,465)
Total comprehensive income for the period		**(197,769)**	(172,689)
Profit/(loss) for the period attributable to:			
Owners of the Company		**38,732**	9,310
Non-controlling interests		**(3,451)**	(1,534)
		35,281	7,776
Total comprehensive income attributable to:			
Owners of the Company		**(194,318)**	(171,022)
Non-controlling interests		**(3,451)**	(1,667)
		(197,769)	(172,689)
Earnings per share attributable to owners of the Company during the period			
Basic and diluted earnings per share	*10*	**HK0.8 cent**	HK0.2 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11(a)*	**435,830**	242,273
Investment properties	*11(b)*	**425,875**	–
Prepaid lease payments	*12*	**519,914**	564,982
Goodwill	*13*	**397,545**	397,545
Other intangible assets	*14*	**169,494**	386,877
Financial assets at fair value through other comprehensive income	*15*	**253,324**	426,187
Prepayment for property, plant and equipment		**3,289**	3,596
Rental deposits paid to a related party	*16(a)*	**6,989**	6,989
		2,212,260	2,028,449
Current assets			
Inventories		**945,718**	1,028,772
Trade receivables	*17*	**33,493**	21,591
Deposits, prepayments and other receivables		**232,171**	237,462
Prepaid lease payments	*12*	**16,056**	17,183
Amounts due from a related party	*16(b)*	**6,402**	6,767
Investment in films		**299,300**	301,832
Pledged deposits		**106,675**	106,354
Cash and cash equivalents		**143,311**	185,241
		1,783,126	1,905,202

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
Current liabilities			
Trade payables	*18*	**21,417**	80,881
Contract liabilities		**260,578**	235,034
Receipts in advance, accrued charges and other payables		**285,567**	261,136
Amounts due to non-controlling interests	*16(b)*	**14,405**	6,639
Provision for taxation		**3,514**	5,605
Borrowings	*19*	**535,045**	620,051
Lease liabilities		**64,111**	–
		1,184,637	1,209,346
Net current assets		**598,489**	695,856
Total assets less current liabilities		**2,810,749**	2,724,305
Non-current liabilities			
Borrowings	*19*	**211,224**	253,830
Deferred tax liabilities		**88,753**	97,281
Lease liabilities		**358,191**	–
		658,168	351,111
NET ASSETS		**2,152,581**	2,373,194
EQUITY			
Share capital		**9,841**	9,999
Reserves		**2,139,634**	2,356,638
Equity attributable to owners of the Company		**2,149,475**	2,366,637
Non-controlling interests		**3,106**	6,557
TOTAL EQUITY		**2,152,581**	2,373,194

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL INFORMATION

Sparkle Roll 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").

The principal activities of the Company and its subsidiaries (together the "Group") are the distributorships of luxury goods and automobiles, provision of after-sales services, property management services, catering services, property rental services and film investments. The Group's operations are based mainly in Hong Kong, Mainland China and Malaysia.

2. BASIS OF PREPARATION

This interim financial report has 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 29 November 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report 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 financial report contains condensed consolidated financial statements and 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 2019 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 financial report has 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:

- HKFRS 16, Leases

- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments

- Amendments to HKFRS 9, Prepayment Features with Negative Compensation

- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the condensed consolidated statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on condensed consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

	HK$'000
Right-of-use assets presented in property, plant and equipment	251,208
Right-of-use assets presented in investment property	478,990
Intangible assets	(256,271)
Deferred tax liabilities	(5,474)
Lease liabilities (non-current)	416,730
Lease liabilities (current)	62,671

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 April 2019:

Reconciliation of operating lease commitment to lease liabilities

	HK$'000
Operating lease commitment as of 31 March 2019	643,692
Discounted operating lease commitments as at 1 April 2019	479,401
Lease liabilities as of 1 April 2019	479,401

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 April 2019 is 6.9%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the condensed consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the condensed consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The Group has leased out its investment property to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these condensed consolidated interim financial statements.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effects of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 April 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

4. SEGMENT INFORMATION

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

The Group's reportable and operating segments for financial reporting purposes have been reorganised as follows:

The executive directors have identified the following reportable operating segments:

(i) Auto dealership – this segment includes distribution of branded automobiles, namely Bentley, Lamborghini and Rolls-Royce and provision of related after-sales services;

(ii) Non-auto dealership – this segment includes distribution of branded watches, namely DeWitt, Parmigiani, DeLaCour and Buben & Zorweg, distribution of branded jewelleries, namely Royal Asscher, distribution of certain brands of fine wines, audio equipment, menswear apparels and accessories and cigars and smoker's accessories;

(iii) Others – this segment includes provision of property management services, catering services and property rental services and film investments.

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 2019

	Auto dealership *HK$'000* **(Unaudited)**	**Non-auto dealership** *HK$'000* **(Unaudited)**	**Others** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue from external customers	**1,526,778**	**147,583**	**73,996**	**1,748,357**
Other income, gains and losses	**25,156**	**12,319**	**(22,350)**	**15,125**
Reportable segment revenue	**1,551,934**	**159,902**	**51,646**	**1,763,482**
Reportable segment results	**110,262**	**(20,176)**	**4,638**	**94,724**

For the six months ended 30 September 2018

	Auto dealership *HK$'000* (Unaudited)	Non-auto dealership *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue from external customers	1,593,495	143,102	23,340	1,759,937
Other income, gains and losses	24,827	12,427	–	37,254
Reportable segment revenue	1,618,322	155,529	23,340	1,797,191
Reportable segment results	105,300	(25,244)	7,687	87,743

Segment assets and liabilities

As at 30 September 2019

	Auto dealership *HK$'000* (Unaudited)	Non-auto dealership *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Reportable segment assets	**1,564,592**	**611,529**	**1,159,595**	**3,335,716**
Investment in an equity investment at fair value through other comprehensive income				**253,324**
Deposits, prepayments and other receivables				**27,391**
Cash and cash equivalents				**12,447**
Other corporate assets:				
– financial assets				**39,802**
– non-financial assets				**326,706**
Consolidated total assets				**3,995,386**
Additions to non-current segment assets during the period	**25,112**	**2,070**	**780,125**	**807,307**
Unallocated				**137**
				807,444
Reportable segment liabilities	**316,504**	**126,756**	**394,928**	**838,188**
Borrowings				**746,269**
Other corporate liabilities:				
– financial liabilities				**8,337**
– non-financial liabilities				**250,011**
Consolidated total liabilities				**1,842,805**

As at 31 March 2019

	Auto dealership *HK$'000* (Audited)	Non-auto dealership *HK$'000* (Audited)	Others *HK$'000* (Audited)	Total *HK$'000* (Audited)
Reportable segment assets	1,679,272	610,730	919,831	3,209,833
Financial assets at fair value through other comprehensive income				426,187
Deposits, prepayments and other receivables				28,066
Cash and cash equivalents				22,454
Other corporate assets:				
– financial assets				42,529
– non-financial assets				204,582
Consolidated total assets				3,933,651
Additions to non-current segment assets during the year	554,133	1,467	613,429	1,169,029
Unallocated				175,828
				1,344,857
Reportable segment liabilities	301,173	80,156	190,999	572,328
Borrowings				873,881
Other corporate liabilities:				
– financial liabilities				10,175
– non-financial liabilities				104,073
Consolidated total liabilities				1,560,457

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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment results	**94,724**	87,743
Bank interest income	**919**	920
Income from investments, debt securities and loan receivables	**–**	9,168
Unallocated corporate income	**1,083**	4,677
Unallocated corporate expenses	**(27,939)**	(81,484)
Finance costs	**(39,642)**	(13,008)
Profit before income tax	**29,145**	8,016

5. REVENUE, OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Revenue from contracts with customers within the scope of HKFRS 15:		
Recognised at point in time		
Sales of automobiles	**1,470,221**	1,532,778
Sales of other merchandised goods	**147,583**	143,102
Recognised over time		
Provision of after-sales services	**56,557**	60,717
Provision of property management services	**12,532**	4,262
Provision of catering services	**14,200**	4,355
	1,701,093	1,745,214
Revenue recognised according to other accounting standards:		
Provision of property rental services	**47,264**	14,723
	1,748,357	1,759,937
Other income, gains and losses		
Bank interest income	**919**	920
Income from investments, debt securities and loan receivables	**–**	9,168
Bonus from supplier	**4,329**	–
Gain on disposals of property, plant and equipment	**12**	2,058
Income from advertising, exhibitions and other services	**11,153**	8,396
Income from insurance brokerage	**18,931**	23,076
Management fee income	**2,833**	7,118
Change in fair value of investment properties	**(14,850)**	–
Change in fair value of investment in films	**(7,462)**	–
Others	**2,137**	1,285
	18,002	52,021

6. OPERATING PROFIT

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of other intangible assets	**5,024**	39
Amortisation of prepaid lease payments	**8,028**	1,383
Cost of inventories recognised as expense	**1,432,570**	1,507,043
Direct costs attributable to disposal of debt securities	**–**	5,720
Depreciation of property, plant and equipment	**41,252**	11,308
Exchange differences, net	**11,625**	5,870
Loss/(gain) on disposal of property, plant and equipment	**4**	(2,058)
Operating lease payments in respect of rented premises	**–**	28,423
Employee costs, including directors' emoluments	**26,687**	20,651
Contributions to retirement benefits scheme	**5,758**	5,620
Employee benefit expenses	**32,445**	26,271

7. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**13,054**	7,903
Interest on other loans	**10,928**	5,105
Interest on operating leases as the lessee	**15,660**	–
	39,642	13,008

8. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2018: 16.5%) on the estimated assessable profit derived in Hong Kong for the period.

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 2018 and 2019.

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong profits tax		
Charge for the period	**–**	–
– Income tax of other jurisdictions		
Charge for the period	**417**	197
Under-provision in prior years	**42**	43
Total current tax	**459**	240
Deferred tax	**(6,595)**	–
	(6,136)	240

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2018 and 2019, nor has any dividend been proposed since the end of reporting period.

10. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately HK$38,732,000 (six months ended 30 September 2018: HK$9,310,000) by the weighted average of 4,968,447,633 (six months ended 30 September 2018: 3,879,061,447) ordinary shares in issue during the period ended 30 September 2019.

(b) Diluted

Diluted earnings per share for the six months ended 30 September 2018 and 2019 are the same as basic earnings per share as there were no dilutive potential ordinary shares in existence during the periods.

11. PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES

(a) Property, plant and equipment

During the six months ended 30 September 2019, the Group acquired items of property, plant and equipment at a total cost of HK$27,412,000 (six months ended 30 September 2018: HK$139,577,000). Right-of-use assets amounted to HK$5,879,000 have been recognised for the current period. Items of property, plant and equipment with a net carrying amount of HK$16,000 (six months ended 30 September 2018: HK$6,446,000) were disposed of during the six months ended 30 September 2019.

(b) Investment properties

Upon the adoption of HKFRS 16 on 1 April 2019, the Group classified certain lease arrangements of the properties in the People's Republic of China as investment properties and approximately HK$478,990,000 was recognised as of 1 April 2019 and the change in fair value of approximately HK$14,850,000 was recognised during the period.

All investment properties were classified under Level 3 fair value hierarchy. The Group has assessed that the highest and best use of these properties did not differ from their existing use.

12. PREPAID LEASE PAYMENTS

	As at 30 September 2019	As at 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Prepaid lease payments related to land use rights are analysed for reporting purposes as:		
Non-current assets	**519,914**	564,982
Current assets	**16,056**	17,183
	535,970	582,165

The Group's interests in land use rights represent prepaid operating lease payments in the People's Republic of China under medium lease and the movements in their net book value are analysed as follows:

	As at 30 September 2019	As at 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Opening net book value	**582,165**	–
Addition	**–**	575,915
Amortisation	**(8,028)**	(9,975)
Exchange alignments	**(38,167)**	16,225
Closing book value	**535,970**	582,165

As at 30 September 2019, the land use rights were pledged as security for the Group's borrowings (31 March 2019: same).

13. GOODWILL

	As at 30 September 2019 *HK$'000* (Unaudited)	As at 31 March 2019 *HK$'000* (Audited)
Cost		
At the beginning of the period	**772,053**	580,679
Business combinations	**–**	191,374
At the end of the period	**772,053**	772,053
Accumulated impairment		
At the beginning and end of the period	**(374,508)**	(374,508)
Net carrying amount	**397,545**	397,545
The carrying amount of goodwill allocated to each of the cash-generating units is as follows:		
Auto dealership	**206,171**	206,171
Property management services	**189,087**	189,087
Catering services	**2,287**	2,287
	397,545	397,545

14. OTHER INTANGIBLE ASSETS

During the six months ended 30 September 2019, the Group acquired intangible assets of HK$43,956,000 (six months ended 30 September 2018: HK$437,879,000 in relation to the acquisition of subsidiaries under property management services segment) in relation to the acquisition of film rights.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 September 2019	As at 31 March 2019
	HK'000	*HK'000*
	(Unaudited)	(Audited)
Listed equity securities, at fair value	**253,324**	426,187

Financial assets at fair value through other comprehensive income as at 30 September 2019 and 31 March 2019 both represent investment in Bang & Olufsen A/S ("B&O") which is a listed equity in Denmark.

16. BALANCES WITH A RELATED PARTY/NON-CONTROLLING INTERESTS

(a) Rental deposits paid to a related party

The Group entered into several agreements with Mr. Qi Jian Hong ("Mr. Qi"), a controlling shareholder of the Company, for leasing of properties as office premises, warehouse and showrooms in Mainland China to the Group. The rental deposits paid to Mr. Qi have been recognised as non-current assets as at 30 September 2019.

(b) Balances with a related party and non-controlling interests

		30 September 2019	31 March 2019
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Mr. Qi	*(i)*	**6,402**	6,767
Total amounts due from a related party		**6,402**	6,767

(i) The amounts due from Mr. Qi, resulting from prepaid rental expenses for leasing of properties as office premises, warehouse and showrooms in Mainland China to the Group are unsecured, interest-free and will be utilised through setting off future rental expenses payable to Mr. Qi within one year.

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

17. TRADE RECEIVABLES

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

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-30 days	**31,314**	21,591
31-120 days	**2,110**	–
Over 120 days	**69**	–
	33,493	21,591

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 of the Group.

18. TRADE PAYABLES

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

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-30 days	**12,276**	71,917
31-60 days	**1,802**	–
61-90 days	**3,675**	–
Over 90 days	**3,664**	8,964
	21,417	80,881

19. BORROWINGS

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current portion:		
Bank loans	**62,590**	143,041
Other loans	**472,455**	477,010
	535,045	620,051
Non-current portion:		
Bank loans	**211,224**	253,830
	746,269	873,881
Effective interest rates per annum in range of:		
– fixed rate borrowings	**3.55% to 8.50%**	5.35% to 8.50%
– variable rate borrowings	**N/A**	4.79% to 5.26%

Notes:

(i) The borrowings are substantially denominated in RMB.

(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 2019 and 31 March 2019, certain inventories of HK$433,378,000 (31 March 2019: HK$407,536,000) and bank deposits of HK$106,675,000 (31 March 2019: HK$106,354,000) were ledged to secure the loan facilities granted to the Group.

(iv) As at 30 September 2019 and 31 March 2019, the Group's certain property, plant and equipment of HK$102,489,000 (31 March 2019: HK$131,713,000) and prepaid lease payments of HK$535,970,000 (31 March 2019: HK$582,165,000) were pledged to secure the loan facilities granted to the Group.

(v) Borrowings were secured by corporate guarantees executed by the Company and certain subsidiaries during the six months ended 30 September 2019 and the year ended 31 March 2019.

(vi) Borrowings were secured by guarantees executed by a controlling shareholder of the Company and his spouse during the six months ended 30 September 2019 and the year ended 31 March 2019.

20. OPERATING LEASE ARRANGEMENT

At the end of the reporting period, the total future minimum lease receivable under non-cancellable operating leases is as follows:

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**89,121**	96,518
In the second to fifth years inclusive	**169,461**	195,621
After fifth years	**83,907**	91,181
	342,489	383,320

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

China's economic growth slowed down to a record low of 6.2 per cent in the second quarter of 2019 as the shock from the protracted trade war with the United States continued to resonate through the world's second largest economy. According to data published by the National Bureau of Statistics on 15 July 2019, the gross domestic product ("GDP") growth dropped from 6.4 per cent in the first quarter to a record low of 6.2 per cent in the second quarter of 2019. Even during the global financial crisis in 2009, China's GDP growth did not fall below 6.4 per cent. Bloomberg, a privately held financial, software, data, and media company headquartered in Midtown Manhattan, New York City forecasts the Beijing's target growth rate for the year 2019 will be 6.2 per cent, but might be worse as they are having concerns about the effect of the trade war.

Due to no incurrence of expenses in relation to the acquisition and investment in debt securities during the six months ended 30 September 2019 (six months ended 30 September 2018: acquisition and investment related expenses recognised), and increase in contributions from the property management business acquired during the six months ended 30 September 2018, we issued a "positive profit alert" on 15 November 2019 to inform the shareholders of the Company and potential investors that based on the preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 September 2019 and the currently available information, the Group is expected to have a net profit attributable to owners of the Company for the six months ended 30 September 2019, which is significantly increased as compared with the net profit attributable to owners of HK$9.3 million for the same period last year.

China's Luxury Goods Market

There are multiple ongoing updates and research reports published from reputable authorities, investment banks and global research houses on "China Continues to Dominate the Global Luxury Market". According to "Bain Luxury Goods Worldwide Market Study, Spring 2019" issued by Bain & Company ("Bain") on 13 June 2019, the global personal luxury goods market reached a "new normal" pattern of growth, following back-to-back years of strong performance in 2017 and 2018. Bain expects 4 per cent to 6 per cent growth (at constant exchange rates) led to €271-276 billion in 2019. This was driven by the acceleration in domestic spending of mainland Chinese consumers and an increase in European tourism, which despite social-political turmoil in countries like the United Kingdom and France, fueled positive growth in Europe throughout the 2018 holiday season. Mainland China continues to dominate the global market as local consumers demonstrate a strong preference for purchasing luxury goods at home and is expected to drive year-over-year growth of 18-20 per cent (at constant exchange rates) in the region.

McKinsey & Company, an American worldwide management consulting firm, issued a report titled "How young Chinese consumers are reshaping global luxury" in April 2019 mentioning global brands face new opportunities as luxury represents a powerful form of social capital for young Chinese consumers. Chinese luxury spending is expected to double to 1.2 trillion renminbi by 2025, delivering 65 per cent of growth in the market globally. It also reports China is winning half of the luxury world at 6% of compound annual growth rate of spending by Chinese consumers on personal luxury goods during 2020 to 2025 as compared with only 2% of compound annual growth rate of spending by other worldwide consumers on personal luxury goods.

BUSINESS REVIEW

Automobile Dealerships

During the financial period under review, Lamborghini recorded positive sales results but Bentley and Rolls-Royce experienced a drop in revenue. Lamborghini performed the best with the largest sales increment, amounting to approximately HK$286.4 million and representing approximately 360% increase in sales in the financial period under review from approximately HK$62.3 million during the corresponding financial period last year. A total of 72 units of Lamborghini were sold, representing an increase of approximately 7 folds as compared with 9 units sold in the corresponding financial period last year.

According to an article issued on the official website of Lamborghini titled "In Fiscal Year 2018 Lamborghini set new historic highs with all key business figures" on 14 March 2019, Lamborghini reported it has entered substantially new dimensions, in which for the first time in history, the brand surpassed the magical mark of 5,000 cars delivered to customers. Also, the financial performance showed further increase to reach a record high. Turnover of the brand grew by 40% from 1,009 mio. Euro to 1,415 mio. Euro in 2018, and deliveries to customers increased by 51% to 5,750 units with sales records in all major regions including EMEA, America and Asia Pacific.

Rolls-Royce recorded a drop in sales during the financial period under review with a total of approximately HK$757.6 million, representing a decrease of approximately 0.02% as compared with that of approximately HK$757.7 million recorded in the corresponding financial period last year. At the same time, a total of 119 units of Rolls-Royce were sold, representing an increase of approximately 25% as compared with 95 units sold in the corresponding financial period last year.

Bentley recorded an approximately 35% decrease in unit sales to 133 units sold during the financial period under review, as compared with 206 units sold in the corresponding financial period last year. The brand recorded a drop in sales during the financial period under review with a total of approximately HK$426.3 million, representing a decrease of approximately 40% as compared with that of approximately HK$712.8 million recorded in the corresponding financial period last year.

The overall total number of units sold increased but the total revenue from sales of automobiles decreased as compared with the corresponding financial period last year. It was mainly due to decrease in average selling price. However, the retail prices of the newly launched models were more price competitive than the previous models.

Revenue from after-sales services during the financial period under review decreased. It reached approximately HK$56.6 million, amounting to a decrease of approximately 6.9% as compared with the revenue recorded in the corresponding financial period last year. The decrease was caused by relocation of the Bentley and Lamborghini service centres during the financial period under review. Regarding the gross profit margin, we saw an increase from approximately 44.7% in the corresponding financial period last year to approximately 52.7% in the financial period under review.

Non-auto Dealerships

During the financial period under review, the sales performance of our non-auto division recorded an increase of approximately 3.1% to approximately HK$147.6 million, as compared with approximately HK$143.1 million in the corresponding financial period last year.

Gross profit margin of non-auto division increased from 32.9% in the previous financial period to 35.8% in the financial period under review.

During the financial period under review, the sales performance of audio equipment division recorded an increase. The revenue increased by approximately 1.05% to HK$116.1 million, as compared with approximately HK$114.9 million in the previous financial period. Sales of menswear apparel and accessories division also increased in terms of quantity and sales amount, with sales revenue of approximately HK$16 million as compared with approximately HK$15 million in the previous financial period.

Among all brands under the division including watch, jewellery, fine wine, audio equipment, menswear apparel and accessories and cigars and smoker's accessories, Bang & Olufsen performed the best in terms of revenue and gross profit contribution.

In order to further developing the non-auto dealerships division, the Group entered into a dealership agreement with Georg Jensen (Beijing) Trading Co. Limited, a wholly-owned company of Georg Jensen A/S, during the financial period under review. Georg Jensen A/S is a Danish company founded in 1904 and proficient in the manufacturing, marketing and selling of jewellery, silverware, watches and home products. The Group is appointed as the authorized GEORG JENSEN seller and wholesale distributor, with an exclusive right to operate official Georg Jensen mono-branded stores on specific pre-approved e-commerce platforms in the territory of the PRC and to sell Georg Jensen Home Articles to end-customers within the territory of the PRC. The initial term of the mono-branded stores would be five years and subject to a renewal term of 3 years.

Others

During the financial period under review, the Group has other new business divisions, which include the provision of property management services, catering services and film investments. The revenue from provision of property management services and catering services totally increased by approximate 217% to approximately HK$74 million, as compared with approximately HK$23.3 million in the previous financial period. The increase was due to the Group recorded operating results of six months while only two months were booked since the acquisitions completed in the last financial period.

Regarding the film investments business, the Group has kept moving forward steadily during the financial period under review.

Equity Investment

The Group completed its acquisition of 6,519,358 shares, approximately 15.09% shareholding in Bang & Olufsen A/S ("B&O"), a company incorporated in Denmark whose shares are listed and traded on Nasdaq Copenhagen, on 16 December 2016. The consideration for the acquisition of the shares as stated in the relevant circular dated 25 November 2016 was approximately HK$494 million.

During the financial period under review, the Group sold 475,873 shares of B&O and hence realised approximately HK$25 million.

As at 30 September 2019, the Group held 5,524,127 shares of B&O, approximately 12.79% of its total issued shares, as a long term investment for capital appreciation and distributions. The carrying amount of this investment represented approximately 6.34% of the total assets of the Group as at 30 September 2019.

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

OUTLOOK

Due to the implementation of the policy of National VI emission standards for motor vehicles（國家第六階段機動車污染物排放標準）, a few automobile models of the Group supplied by the manufacturers are affected. In addition, the demand and the consumer sentiment may be affected by the slow down of China's economic growth. In view of such challenging environment in the PRC, the Group maintains a conservative view towards the financial performance in the second half of this financial year.

In view of the sustainable and potential development of the film industry in the PRC, the Group will continue to explore co-operation and investment opportunities in the film industry in different way so as to enhance the revenue and profit of the principal activity of the Group.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 September 2019 was approximately HK$1,748.4 million, representing a decrease of approximately 1% as compared with that of approximately HK$1,759.9 million recorded in the corresponding financial period last year. The decrease was driven by sales of automobiles and provision of after-sales services, which however was offset by the increase in revenue from property management business. The table below sets out the Group's revenue by segments for the period indicated:

	Six months ended 30 September					
	2019		2018		**Changes**	
Revenue Source		**Contribution**		Contribution		
	HK$'000	***(%)***	*HK$'000*	*(%)*	*HK$'000*	*%*
Automobile segment						
Sales of automobiles	**1,470,221**	**84.1%**	1,532,778	87.1%	(62,557)	(4.1%)
Provision of after-sales services	**56,557**	**3.2%**	60,717	3.4%	(4,160)	(6.9%)
Sub-total	**1,526,778**	**87.3%**	1,593,495	90.5%	(66,717)	(4.2%)
Non-automobile dealership segment	**147,583**	**8.5%**	143,102	8.2%	4,481	3.1%
Others	**73,996**	**4.2%**	23,340	1.3%	50,656	217.0%
Total	**1,748,357**	**100%**	**1,759,937**	**100%**	**(11,580)**	**(0.7%)**

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 September 2019 increased by approximately 27% to approximately HK$310.3 million (30 September 2018: HK$244.4 million) while the gross profit margin of the Group for the six months ended 30 September 2019 increased from 13.9% to 17.7%.

The increase in the gross profit margin was mainly due to the increase in gross profit from property management business in this financial period under review. The increase was because the Group recorded operating results of six months of this segment while only those of two months were recorded since the acquisition of the property management business was completed in the last financial period.

Despite the decrease in revenue from sales of automobiles, the gross profit margins improved as more newly launched models were sold as compared with the records in the corresponding period of last year.

Other Income, Gains and Losses

Other income, gains and losses decreased from approximately HK$52.0 million for the six months ended 30 September 2018 to approximately HK$18.0 million for the six months ended 30 September 2019. Such decrease was because the Group did not record any income from investments, debt securities and loan receivables; and change in fair value of investment properties and investment in films.

Selling and distribution costs

The selling and distribution costs increased by approximately 7.3% which were mainly due to the increase in additional consumption levy and operating expenses arising from the new businesses including property management, film investments and catering business.

Administrative expenses

The administrative expenses decreased by approximately HK$24.5 million. The changes were mainly due to no incurrence of expenses in relation to the acquisition and investment in debt securities during the six months ended 30 September 2019 but such decrease was offset partially by the increase in depreciation, amortisation and exchange losses of the Group.

Financing Costs

The financing costs of the Group increased by approximately 205% from approximately HK$13.0 million for the six months ended 30 September 2018 to approximately HK$39.6 million for the six months ended 30 September 2019, which was due to the increase in borrowing for the acquisition of the property used by the Group as showrooms and office and the recognition of interest expenses on lease liabilities of approximately HK$15.7 million under the new accounting standard for leases.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 September 2019 were approximately HK$3,995.4 million (31 March 2019: HK$3,933.7 million) which were supported by the total equity and total liabilities of approximately HK$2,152.6 million (31 March 2019: HK$2,373.2 million) and HK$1,842.8 million (31 March 2019: HK$1,560.5 million) respectively.

Cash Flow

The Group's cash and cash equivalents as at 30 September 2019 were approximately HK$143.3 million (31 March 2019: HK$185.2 million) which were mainly denominated in Hong Kong dollars ("HK$") 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. Such decrease was mainly attributable to repayment of borrowings during the financial period under review.

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 2019 were approximately HK$746.3 million, representing a decrease of approximately 14.6% from approximately HK$873.9 million as at 31 March 2019. The Group's borrowings were mainly denominated in RMB. The decrease was mainly due to repayment of borrowings.

Gearing Ratio

The Group's gearing ratio computed as total borrowings over the total equity decreased to approximately 34.7% as at 30 September 2019 (31 March 2019: 36.8%).

Inventories

As at 30 September 2019, the Group's inventories decreased by approximately 8.1% from approximately HK$1,028.8 million as at 31 March 2019 to approximately HK$945.7 million. Such decrease was primarily due to the decrease in automobile inventories which comprised approximately 55.5% of the inventories of the Group.

The Group's average inventory turnover days increased from 124 days for the six months ended 30 September 2018 to 126 days for the six months ended 30 September 2019.

Exposure to Foreign Exchange Risks

The revenue and expenses of the Group are mainly denominated in RMB and HK$ while the production cost, purchases and investments are mainly denominated in RMB, HK$, Danish Krone ("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 2019, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts (30 September 2018: nil).

Contingent Liabilities and Capital Commitment

The Group did not have any significant capital commitment as at 30 September 2019 (31 March 2019: nil) in respect of acquisition of property, plant and equipment. The Board considered that the Group had no material contingent liabilities as at 30 September 2019 (31 March 2019: nil).

Charges on Assets

As at 30 September 2019, property, plant and equipment, prepaid lease payment, pledged deposits and inventories of the Group with aggregate carrying amounts of approximately HK$102.5 million (31 March 2019: HK$131.7 million), HK$536 million (31 March 2019: HK$582.2 million), HK$106.7 million (31 March 2019: HK$106.4 million) and HK$433.4 million (31 March 2019: HK$407.5 million) respectively were pledged to secure general banking facilities granted to the Group.

Human Resources

As at 30 September 2019, the Group had 591 employees (31 March 2019: 530). Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$32.4 million for the six months ended 30 September 2019 (30 September 2018: HK$26.3 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.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in distributorships of luxury goods and automobiles, provision of after-sales services, property management services, catering services, property rental services and film investments. The Group's operations are mainly based in Hong Kong, Mainland China and Malaysia.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: nil) as the Group would like to reserve more capital to capture opportunities and meet the challenges ahead.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company repurchased a total of 79,080,000 Shares on the Stock Exchange at an aggregate consideration of HK$22,843,948.15 from April 2019 to September 2019. As at 30 September 2019, all the repurchased Shares have been cancelled except for the shares repurchased on 27 September 2019 (which have already been cancelled on 29 October 2019).

	Date of repurchased	**Highest price** *HK$*	**Lowest price** *HK$*	**Average price** *HK$*	**Number of shares repurchased**	**Total paid** *HK$*
1	17 April 2019	0.33	0.325	0.328347	992,000	325,720.22
2	18 April 2019	0.33	0.33	0.330000	4,000,000	1,320,000.00
3	23 April 2019	0.33	0.325	0.329257	5,872,000	1,933,400.00
4	24 April 2019	0.33	0.33	0.330000	5,240,000	1,729,200.00
5	26 April 2019	0.33	0.33	0.330000	11,000,000	3,630,000.00
6	8 August 2019	0.265	0.265	0.265000	8,000,000	2,120,000.00
7	2 September 2019	0.255	0.246	0.251430	3,184,000	800,553.12
8	3 September 2019	0.26	0.255	0.255873	504,000	128,959.99
9	4 September 2019	0.265	0.255	0.258053	1,808,000	466,559.82
10	5 September 2019	0.27	0.265	0.269995	9,000,000	2,429,955.00
11	6 September 2019	0.27	0.27	0.270000	2,000,000	540,000.00
12	9 September 2019	0.27	0.27	0.270000	4,000,000	1,080,000.00
13	10 September 2019	0.27	0.27	0.270000	5,600,000	1,512,000.00
14	11 September 2019	0.27	0.27	0.270000	4,800,000	1,296,000.00
15	12 September 2019	0.27	0.27	0.270000	5,000,000	1,350,000.00
16	16 September 2019	0.27	0.27	0.270000	4,080,000	1,101,600.00
17	17 September 2019	0.27	0.27	0.270000	2,000,000	540,000.00
18	27 September 2019	0.27	0.27	0.270000	2,000,000*	540,000.00
	Total				**79,080,000**	**22,843,948.15**

* Repurchased but not yet cancelled as at 30 September 2019 (which have already been cancelled on 29 October 2019).

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares during the period under review.

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 of the Company (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 2019.

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 with the Model Code by the relevant employees was noted by the Company during the six months ended 30 September 2019.

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 2019, the Group has adopted the principles and code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Company has been in compliance with the CG Code throughout the six months ended 30 September 2019 except for the deviation from provision A.2.1 of the CG Code since 1 January 2018.

According to provision A.2.1 of the CG 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 and the Chief Executive Officer of the Company with effect from 1 January 2018, responsible for overall strategic development, project management and client management of the Group. The Board believes that vesting the roles of both 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 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, comprised exclusively independent non-executive directors, is freely and directly to communicate with the Company's external auditors and independent professional advisers 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. Lee Thomas Kang Bor with written terms of reference in line with the code provisions set out in the CG Code. The Audit Committee has reviewed and approved the interim condensed consolidated financial statements for the six months ended 30 September 2019.

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 make available on the above websites in due course.

By Order of the Board
Sparkle Roll Group Limited
Zheng Hao Jiang
Chairman

Hong Kong, 29 November 2019

As at the date of this announcement, the Company has three executive Directors, two non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, Mr. Zhao Xiaodong and Mr. Zhu Lei. The non-executive Directors are Mr. Gao Yu and Mr. Qi Jian Wei. The independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Lee Thomas Kang Bor.

* *for identification purpose only*