Sparkle Roll Group Limited
耀萊集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 970)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

RESULTS

The board of directors (the "**Board**" or "**Directors**") of Sparkle Roll Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 March 2020, together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	*5*	**3,443,430**	3,724,845
Cost of sales		**(2,883,545)**	(3,159,908)
Gross profit		**559,885**	564,937
Other income, gains and losses	*6*	**5,506**	90,634
Selling and distribution costs		**(382,880)**	(381,887)
Administrative expenses		**(84,860)**	(150,633)
Operating profit	*7*	**97,651**	123,051
Finance costs	*8*	**(82,132)**	(40,956)
Profit before income tax		**15,519**	82,095
Income tax	*9*	**10,486**	4,994
Profit for the year		**26,005**	87,089
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(98,753)**	(37,220)
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity investments at fair value through other comprehensive income recognised during the year		**(242,240)**	(768,022)

	Note	2020 HK$'000	2019 HK$'000
Other comprehensive income for the year, net of tax		**(340,993)**	(805,242)
Total comprehensive income for the year		**(314,988)**	(718,153)
Profit for the year attributable to:			
Owners of the Company		**30,283**	97,429
Non-controlling interests		**(4,278)**	(10,340)
		26,005	87,089
Total comprehensive income attributable to:			
Owners of the Company		**(310,619)**	(707,680)
Non-controlling interests		**(4,369)**	(10,473)
		(314,988)	(718,153)
Earnings per share attributable to owners of the Company			
Basic and diluted	*10*	**HK0.6 cent**	HK2.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**955,446**	242,273
Prepaid lease payments		**–**	564,982
Investment properties	*13*	**408,462**	–
Goodwill		**380,978**	397,545
Other intangible assets	*14*	**280,062**	386,877
Financial assets at fair value through other comprehensive income	*15*	**124,406**	426,187
Prepayment for property, plant and equipment		**3,054**	3,596
Rental deposits paid to a related party		**6,475**	6,989
		2,158,883	2,028,449
Current assets			
Inventories		**912,922**	1,028,772
Trade receivables	*16*	**36,828**	21,591
Deposits, prepayments and other receivables		**251,175**	237,462
Prepaid lease payments		**–**	17,183
Amount due from a related party		**–**	6,767
Investment in films	*17*	**28,777**	301,832
Pledged deposits		**92,424**	106,354
Cash at banks and in hand		**116,049**	185,241
		1,438,175	1,905,202
Current liabilities			
Trade payables	*18*	**60,946**	80,881
Contract liabilities		**186,972**	235,034
Receipts in advance, accrued charges and other payables		**109,654**	261,136
Amounts due to non-controlling interests		**11,915**	6,639
Provision for taxation		**2,915**	5,605
Borrowings		**581,962**	620,051
Lease liabilities	*12*	**55,506**	–
		1,009,870	1,209,346
Net current assets		**428,305**	695,856
Total assets less current liabilities		**2,587,188**	2,724,305

	Note	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Borrowings		**173,414**	253,830
Deferred tax liabilities		**81,986**	97,281
Lease liabilities	*12*	**328,878**	–
		584,278	351,111
NET ASSETS		**2,002,910**	2,373,194
EQUITY			
Share capital		**9,587**	9,999
Reserves		**1,991,135**	2,356,638
Equity attributable to owners to the Company		**2,000,722**	2,366,637
Non-controlling interests		**2,188**	6,557
TOTAL EQUITY		**2,002,910**	2,373,194

NOTES

1. GENERAL

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 distributorships of luxury goods and automobiles, provision of after-sales services, provision of property management services, provision of catering services, provision of property rental services and film related business including development and investment in films. The Group's operations are mainly based in Hong Kong, Mainland China and Malaysia.

In the opinion of the directors, the immediate holding company and ultimate holding company of the Company is Sparkle Roll Holdings Limited, which is incorporated in the British Virgin Islands.

The directors regard ultimate controlling party of the Company to be Mr. Kei Kin Hung ("**Mr. Kei**").

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which in collective term include all individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective on 1 April 2019

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by HKICPA, which are relevant to and effective for the Group's financial statements.

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

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.

HKFRS 16 – Leases ("HKFRS 16")

(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 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 as 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 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	823,353
Right-of-use assets presented in investment properties	478,990
Prepaid lease payment	(582,165)
Other intangible assets	(256,271)
Amount due from a related party	(6,767)
Trade payables	(22,261)
Lease liabilities	479,401

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 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
Less: short term leases for which lease terms end within 31 March 2020	(653)
Add: leases reassessments	17,273
Less: future interest expenses	(180,911)
Total lease liabilities as of 1 April 2019	479,401

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the 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 for 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 consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases are required to be capitalised in the 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 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 is 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, 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group's leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liabilities

The lease liability is 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 of 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.

Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and 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 substance fixed lease payments or a change in assessment to purchase the underlying asset.

There are recognition exemptions for short-term leases. Short-term leases are leases with a lease term of 12 months or less at the commencement date. Payments associated with short-term leases are recognised on a straight-line basis as expenses in profit or loss.

(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 financial statements.

(v) Transition

As mentioned above, 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 (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 the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. The Group relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

The Group has also applied the follow 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.

As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, if any, the right-of-use assets and the corresponding lease liabilities at 1 April 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 April 2019.

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

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs that have been issued and are potentially relevant to the Group's operations but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Coronavirus-2019 ("COVID-19") Related Rent Concession[3]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

[3] Effective for annual periods beginning on or after 1 June 2020

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

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 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, jewelleries, fine wines, audio equipment, menswear apparels and accessories, cigars and smoker's accessories, silver articles and home articles.

(iii) Others – this segment includes provision of property management services, catering services and property rental services; and film related business including development and investment in films.

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.

	2020			
	Auto dealership	**Non-auto dealership**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**3,016,171**	**293,607**	**133,652**	**3,443,430**
Other income, gains and losses	**43,064**	**19,524**	**(62,565)**	**23**
Reportable segment revenue	**3,059,235**	**313,131**	**71,087**	**3,443,453**
Reportable segment results	**204,833**	**(50,497)**	**(5,047)**	**149,289**

	2019			
	Auto dealership *HK$'000*	Non-auto dealership *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	3,307,716	320,315	96,814	3,724,845
Other income and net gains	44,683	17,993	3,379	66,055
Reportable segment revenue	3,352,399	338,308	100,193	3,790,900
Reportable segment results	231,500	(37,485)	50,465	244,480

A reconciliation between the reportable segment results and the Group's profit before income tax is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Reportable segment results	**149,289**	244,480
Bank interest income	**2,033**	1,299
Interest income from investments, debt securities and loan receivables	**–**	9,588
Unallocated corporate income	**3,449**	13,692
Unallocated corporate expenses	**(57,120)**	(146,008)
Finance costs	**(82,132)**	(40,956)
Profit before income tax	**15,519**	82,095

5. REVENUE

The Group's principal activities are sale of automobiles and other merchandised goods and provision of automobile related after-sales services. Other businesses mainly represent income from provision of property management services, catering services and property rental services.

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers:		
Recognised at point in time		
Sales of automobiles	**2,909,604**	3,193,687
Sales of other merchandised goods	**293,607**	320,315
Recognised over time		
Provision of after-sales services	**106,567**	114,029
Provision of property management services	**24,229**	18,652
Provision of catering services	**20,965**	14,832
Total revenue from contracts with customers	**3,354,972**	3,661,515
Revenue from other sources:		
Provision of property rental services	**88,458**	63,330
Total	**3,443,430**	3,724,845

Disaggregation of revenue from contracts with customers by major product or service lines is as follows:

	2020	2019
	HK$'000	*HK$'000*
Types of goods or services:		
Auto dealership segment		
Sales of automobiles	**2,909,604**	3,193,687
Provision of after-sales services	**106,567**	114,029
	3,016,171	3,307,716
Non-auto dealership segment		
Sales of other merchandised goods	**293,607**	320,315
Other segment		
Provision of property management services	**24,229**	18,652
Provision of catering services	**20,965**	14,832
Total revenue from contracts with customers	**3,354,972**	3,661,515

During the year, revenue of HK$3,350,373,000 (2019: HK$3,654,059,000) were generated from contracts with customers from Mainland China and Hong Kong. The remaining revenue of HK$4,599,000 (2019: HK$7,456,000) were generated from Malaysia.

6. OTHER INCOME, GAINS AND LOSSES

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**2,033**	1,299
Changes in fair value of investment properties	**(35,368)**	–
Changes in fair value of investment in films	**(27,207)**	–
Gain on disposal of films	**1,486**	–
Gain on disposal of property, plant and equipment	**4**	2,054
Impairment of goodwill	**(2,287)**	–
Income from investments, debt securities and loan receivables	**–**	9,588
Income from advertising, exhibitions and other services	**30,749**	33,721
Income from insurance brokerage	**31,482**	40,164
Management fee income	**–**	218
Others	**5,295**	3,590
Written off of property, plant and equipment	**(681)**	–
	5,506	90,634

7. OPERATING PROFIT

This is arrived at after charging/(crediting):

	2020	2019
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**9,825**	26,727
Amortisation of prepaid lease payments	**–**	9,975
Auditors' remuneration		
– Audit services	**1,650**	1,500
– Non-audit services	**1,114**	997
Cost of inventories recognised as expenses, including	**2,883,545**	3,136,494
– Write-down of inventories	**1,701**	8,356
– Reversal of write-down of inventories	**(431)**	(7,947)
Depreciation of property, plant and equipment	**104,820**	26,891
Exchange differences, net	**11,655**	1,009
Employee benefit expenses	**71,072**	65,310
Impairment of goodwill	**2,287**	–
Interest on lease liabilities	**30,975**	–
Lease payments under short term leases	**653**	–
Lease payments under variable lease payment not included in the measurement of lease liabilities	**4,155**	–
Total minimum lease payments for lease previously classified as operating leases under HKAS 17	**–**	95,832
Written off of property, plant and equipment	**681**	–

Note: The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated.

8. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowings	**24,369**	25,182
Interest on other loans	**26,788**	15,774
Interest on lease liabilities	**30,975**	–
	82,132	40,956

9. 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 year ended 31 March 2020 (year ended 31 March 2019: 16.5% on the estimated assessable profits).

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 years ended 31 March 2019 and 2020.

	2020	2019
	HK$'000	*HK$'000*
Current tax		
– Hong Kong profits tax		
Charge for the year	**–**	77
– Income tax of other jurisdictions		
Charge for the year	**2,213**	1,629
Under-provision in prior years	**42**	–
Total current tax	**2,255**	1,706
Deferred tax	**(12,741)**	(6,700)
	(10,486)	(4,994)

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately HK$30,283,000 (2019: approximately HK$97,429,000) by the weighted average of 4,919,180,748 (2019: 4,839,037,294) ordinary shares in issue during the year ended 31 March 2020.

Diluted earnings per share are the same as basic earnings per share as there were no dilutive potential ordinary shares in existence during the years.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 April 2018				
Cost	–	229,697	31,102	260,799
Accumulated depreciation and impairment	–	(154,029)	(14,243)	(168,272)
Net carrying amount	–	75,668	16,859	92,527
Year ended 31 March 2019				
Opening net carrying amount	–	75,668	16,859	92,527
Exchange differences	3,249	16,345	(820)	18,774
Additions	130,657	24,542	238	155,437
Business combinations	–	8,920	–	8,920
Disposals	–	–	(6,494)	(6,494)
Depreciation	(2,193)	(22,765)	(1,933)	(26,891)
Closing net carrying amount	131,713	102,710	7,850	242,273
At 31 March 2019				
Cost	133,962	271,074	19,753	424,789
Accumulated depreciation and impairment	(2,249)	(168,364)	(11,903)	(182,516)
Net carrying amount	131,713	102,710	7,850	242,273
At 1 April 2019 (restated)				
Cost	967,338	271,074	19,753	1,258,165
Accumulated depreciation and impairment	(12,272)	(168,364)	(11,903)	(192,539)
Net carrying amount	955,066	102,710	7,850	1,065,626
Year ended 31 March 2020				
Opening net carrying amount	131,713	102,710	7,850	242,273
Effect of adoption of HKFRS 16	823,353	–	–	823,353
At 1 April 2020 (restated)	955,066	102,710	7,850	1,065,626
Exchange differences	(51,284)	(25,472)	(612)	(77,368)
Additions	64,094	52,005	9,032	125,131
Written-off	–	(681)	–	(681)
Disposals	–	(17)	–	(17)
Modification of leases	(52,425)	–	–	(52,425)
Depreciation	(74,910)	(28,113)	(1,797)	(104,820)
	840,541	100,432	14,473	955,446
At 31 March 2020				
Cost	935,377	276,035	32,736	1,244,148
Accumulated depreciation and impairment	(94,836)	(175,603)	(18,263)	(288,702)
	840,541	100,432	14,473	955,446

As at 31 March 2020, the Group's land and buildings of approximately HK$647,715,000 (2019: buildings of approximately HK$131,713,000 and prepaid lease payments of approximately HK$582,165,000) were pledged as securities for the Group's borrowing facilities.

12. LEASE

The Group adopts HKFRS 16 on 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see Note 3(a). The accounting policies applied subsequent to the date of initial application, 1 April 2019.

(a) The Group as lessee

The Group has lease contracts for building, office premises, bonded warehouses, showrooms and retail stores. Lump sum payments were made upfront to acquire the interests in the leasehold land in the People's Republic of China ("**the PRC**"). Leases of office buildings generally have lease terms ranging from two to fifteen years and lease payments are fixed over the lease terms.

Certain leases of office buildings have lease terms of 12 months or less and the Group did not capitalised these leases by applying the short-term lease recognition exemption.

(i) Right-of-use assets

The movements of the carrying amounts of the Group's right-of-use assets during the year are set out below:

	Prepaid lease payment	Buildings	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 April 2019	582,165	241,188	823,353
Additions	–	64,094	64,094
Depreciation expense	(16,417)	(54,769)	(71,186)
Modification of leases	–	(52,425)	(52,425)
Exchange differences	(37,806)	(5,262)	(43,068)
As at 31 March 2020	527,942	192,826	720,768

As at 31 March 2020, the Group's right-of-use assets in respect of leasehold land with carrying amount of approximately HK$527,942,000 were pledged to secure certain bank loans granted to the Group.

(ii) Lease liabilities

	HK$'000
As at 1 April 2019	479,401
New leases	64,094
Interest expense	30,975
Lease payment	(75,053)
Interest payment	(30,975)
Modification of leases	(54,094)
Exchange differences	(29,964)
As at 31 March 2020	384,384
Classified under:	
Non-current portion	328,878
Current portion	55,506
	384,384

13. INVESTMENT PROPERTIES

	2020
	HK$'000
Fair value	
At beginning of the year	**–**
Initial application of HKFRS 16	**478,990**
At 1 March (restated)	**478,990**
Changes in fair value	**(35,368)**
Exchange differences	**(35,160)**
	408,462

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

Upon the adoption of HKFRS 16 on 1 April 2019, the Group classified certain lease arrangements of the properties in the PRC as investment properties and approximately HK$478,990,000 was recognised as of 1 April 2019 and change of fair value of approximately HK$35,368,000 was recognised during the year.

14. OTHER INTANGIBLE ASSETS

	Trademark	Film rights	Lease contracts/ customers' list from property management contracts	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018				
Gross carrying amount	33,163	–	–	33,163
Accumulated amortisation and impairment	(32,770)	–	–	(32,770)
Net carrying amount	393	–	–	393
Year ended 31 March 2019				
Opening net carrying amount	393	–	–	393
Business combination	–	–	413,211	413,211
Amortisation	(79)	–	(26,648)	(26,727)
Closing net carrying amount	314	–	386,563	386,877
At 31 March 2019				
Gross carrying amount	33,163	–	413,211	446,374
Accumulated amortisation and impairment	(32,849)	–	(26,648)	(59,497)
Net carrying amount	314	–	386,563	386,877
At 1 April 2019 (restated)				
Gross carrying amount	33,163	–	136,866	170,029
Accumulated amortisation and impairment	(32,849)	–	(6,618)	(39,467)
Net carrying amount	314	–	130,248	130,562
Year ended 31 March 2020				
Opening net carrying amount	314	–	386,563	386,877
Effect of adoption of HKFRS 16	–	–	(256,271)	(256,271)
	314	–	130,292	130,606
Addition	–	168,539	–	168,539
Amortisation	(79)	–	(9,746)	(9,825)
Exchange adjustment	–	(3,703)	(5,555)	(9,258)
Closing net carrying amount	235	164,836	114,991	280,062
At 31 March 2020				
Gross carrying amount	33,163	164,836	130,850	328,849
Accumulated amortisation and impairment	(32,928)	–	(15,859)	(48,787)
Net carrying amount	235	164,836	114,991	280,062

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	2020	2019
	HK$'000	*HK$'000*
Listed equity securities, at fair value, classified as financial assets at FVTOCI	**124,406**	426,187

The balance represented the equity investment in Bang & Olufsen A/S whose shares are listed and traded on Nasdaq Copenhagen. The fair value was based on quoted market price as at 31 March 2019 and 2020. The equity investment was irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

16. 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-sales 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 at the end of the reporting period, based on the invoice dates, is as follows:

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**34,441**	21,591
31 – 120 days	**2,387**	–
	36,828	21,591

17. INVESTMENT IN FILMS

	2020	2019
	HK$'000	*HK$'000*
Investment in films, at fair value through profit and loss	**28,777**	301,832

The amount represents investment projects with certain production houses for co-production of films. The investments are governed by the relevant agreements whereby the Group is entitled to benefits generated from the distribution of these films.

18. TRADE PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**1,746**	71,917
31 – 60 days	**48,784**	–
61 – 90 days	**–**	–
Over 90 days	**10,416**	8,964
	60,946	80,881

19. DIVIDEND

No dividend was paid, declared or proposed by the Company in respect of the years ended 31 March 2019 and 2020.

CHAIRMAN'S STATEMENT

China abandoned its economic growth target for 2020 as confirmed by Premier Li Keqiang at the National People's Congress ("NPC") held on 22 May 2020 in Beijing. The economy contracted by 6.8 per cent in the first quarter of 2020 compared to a year earlier, under huge pressure from the spread of Coronavirus Disease 2019 ("**COVID-19**") and its inevitable adverse impact on the economy. While at the NPC last year, the government set a growth target range of between 6.0 and 6.5 per cent for 2019. Actual GDP growth came just within target range, at 6.1 per cent.

During the financial year under review, the Group's revenue decreased from HK$3,725 million to HK$3,443 million. Gross profit for the financial year under review decreased from HK$564.9 million last year to HK$559.9 million the year. The auto business was still our major income driver, accounting for approximately 87.6% of our business. Net profit attributable to owners of HK$30.3 million was recorded in this financial year compared with a net profit of HK$97.4 million in the last financial year.

China's Luxury Goods and Automobiles Markets

There are quite a number of ongoing updates and research reports from reputable authorities, investment banks and global research houses mentioning that China's luxury goods market has contracted due to the spread of COVID-19 but has begun to lead the way towards a recovery. According to the "Bain & Company Luxury Study 2020 Spring Update" released by Bain & Company on 7 May 2020, the luxury industry faces a challenge like never before as COVID-19 presents an unprecedented crisis for the industry driven by lockdowns and the shutdown of tourism in all key markets. Bain anticipates that the slowdown should accelerate in the second quarter and could lead to an estimated contraction between 20 percent to 35 percent for the full year after falling by an estimated 25 percent in the first quarter of 2020. However, Chinese consumers are set to cement their status as crucial drivers of the industry, accounting for nearly 50 percent of the market by 2025. Luxury purchases made online have increased throughout the crisis and the online channel could represent up to 30 percent of the market by 2025.

According to the “2020 China Luxury Forecast” jointly published on 25 February 2020 by Ruder Finn Group, a global leading integrated communications consultancy, and Consumer Search Group, one of Asia’s most prominent and leading market research groups, the outlook for luxury sectors in China this year has been less rosy, with a distinct increase in the number of consumers planning to spend less, and the negative impact brought by the outbreak of the COVID-19 despite growth driver by online purchases and local consumption in 2019. The outbreak of the COVID-19 early in the year dealt an even greater blow to China’s retail business, domestic consumption and consumer confidence, creating additional challenges for the luxury market in 2020, said the report. But the writers of the report believe that the epidemic will pass and luxury spending will recover in the next 12 months. The report also finds third and lower tiered cities showing strong performance and great purchasing power over the past year. Mainland China, Hong Kong and Japan top the list of shopping destinations for luxury goods among Mainland China consumers, with around 31% of local consumption recorded.

For the global luxury car market, China is still the most important market in the world. According to an article titled “Sales of luxury cars rise amid the pandemic” issued on 25 May 2020 by SHINE News, an online version of an English-language newspaper in China named Shanghai Daily owned by Shanghai United Media Group, it mentioned sales of luxury cars in China grew in April with the overall market remained stable amid the COVID-19 outbreak. Luxury car dealers sold 277,000 units in April, an increase of 11.1 percent year-on-year, according to the China Automobile Dealers Association, while dealers in the passenger car market sold 1.48 million vehicles, down 10.5 percent year-on-year. Despite April’s recovery, China’s luxury car market declined 16.4 percent year on year to 795,000 units in the first four months mainly due to the impact of the pandemic. In March, luxury automakers rolled out policies to support their dealers to get back to work. After work resumed, sales at luxury car dealers fell just 3.1 percent year-on-year during March and April.

Luxury car market is more insulated and more accustomed to sudden drops in sales based on an article named “Ferrari sales and other luxury cars beat estimates as global car sales plummet” issued on 8 May 2020 by online space for WOW (World of Watches), Singapore’s premier watch periodical. It mentioned that business intelligence consultants, IHS Markit and others, predicted a global downturn on automotive sales as a result of the pandemic but luxury carmakers like Ferrari and Tesla have just beat sales expectations. Michelle Krebs, senior analyst for Cox Automotive told CNN that “The three things that most determine car sales are credit, employment and consumer confidence. All are working against car sales.” It appears that for the moment, the appetite for luxury consumption is still upbeat with high confidence among the affluent who are not affected by credit availability and employment.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Auto Dealerships

During the year under review, revenue of the ultra-luxury automobile distributorships of Bentley, Lamborghini and Rolls-Royce recorded an approximately 8.8% decrease to approximately HK$3,016 million, as compared with that of approximately HK$3,308 million in the previous financial year. Lamborghini recorded sales growth while Bentley and Rolls-Royce both recorded sales decline. Lamborghini performed the best among the Group's two other brands in terms of the increase in revenue and gross profit with total sales of approximately HK$437.6 million, representing an approximately 71% rise as compared with that of approximately HK$256.2 million recorded in the previous financial year. 115 units of Lamborghini were sold, representing an increase of approximately 117% as compared with 53 units sold in the previous financial year. Among all models of Lamborghini sold during this financial year, Urus performed the best in terms of revenue and gross profit contribution.

According to the article titled "While the company grows, our committee to the environment does not change" under Lamborghini's official website issued on 19 May 2020, Lamborghini announced a remarkable business record in 2019 and achieved its greatest sales result during the year. Deliveries to customers all over the world increased by 43%, jumping from 5,750 to 8,205 vehicles as a new breaking record.

Bentley recorded an approximately 18% decrease in sales to approximately HK$1,146 million during this financial year, as compared with that of approximately HK$1,397 million in the previous financial year. 345 units of Bentley were sold, representing a drop of 21% as compared with 437 units sold in the previous financial year. Among all models of Bentley sold during this financial year, Bentayga, the new SUV model, recorded the greatest number of units sold and performed the best in terms of revenue and gross profit contributions.

Rolls-Royce recorded a drop in sales during this financial year with a total of approximately HK$1,326 million, representing a 14% decrease in sales as compared with that of approximately HK$1,540 million during the previous financial year. 207 units of Rolls-Royce were sold, representing an increase of approximately 2% as compared with 203 units sold in the previous financial year. Among all models of Rolls-Royce sold during this financial year, Cullinan performed the best in terms of revenue and gross profit contribution.

Gross profit of sale of Bentley increased during this financial year due to the increase from both quantity and gross profit margin. For Lamborghini and Rolls-Royce, gross profit margin recorded a decline during this financial year.

Revenue of after-sales services recorded a decline of approximately 6.5% during this financial year as compared with that of the previous financial year. The gross profit margin decreased from approximately 44.3% in the previous financial year to approximately 41.6% in this financial year.

Non-auto Dealerships

During the year under review, the sales of our non-auto dealerships division recorded a decrease in revenue of approximately 8.3% to approximately HK$293.6 million as compared with that of approximately HK$320.3 million in the previous financial year.

Gross profit margin of our non-auto dealerships division increased during this financial year from approximately 32.1% in the previous financial year to approximately 36.5% in this financial year.

Among all non-auto dealerships during this financial year, 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 group company of Georg Jensen A/S, during the financial year 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 monobranded 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 three years.

Others

During the financial year under review, the revenue from our others division, which include the provision of property management services, catering services and film investments, recorded an increase of approximate 38% to approximately HK$133.7 million, as compared with approximately HK$96.8 million in the previous financial year. The increase was due to the Group recorded operating results of property management business for full year while only eight months were booked since the acquisition was completed during the last financial year.

As disclosed in the announcement of the Company dated 25 June 2018 in relation to the acquisition of property management business, certain profit guarantees have been given by the Vendor. Based on the calculation result, the profit guarantee of not less than RMB57.5 million has been achieved between 1 April 2019 to 31 March 2020 in relation to the property management business.

Regarding the catering business, due to the impact of COVID-19, one of our restaurants had been closed and thus an impairment of goodwill of approximately HK$2.3 million was made.

In order to participate more in film industry, the Group disposed of its investments in "The Dairy"《我的日記》and "Project X-traction"《狂怒沙暴》to third parties at approximately HK$54 million and HK$58 million respectively, recording a slight gain of approximately HK$1.5 million in total during the financial year, and re-invested the sales proceeds in the film industry in different way, specifically with higher level of participation in film production. As at 31 March 2020, the Group had four film investments and projects on hands.

Based on the assessments, the Group did not have any contingent liability as at 31 March 2020 in respect of the earn-out adjustments mentioned in the Company's announcement dated 29 October 2018 and supplemental announcement dated 30 December 2018.

Equity Investment

As a long-term investment for capital appreciation and distributions, the Group held shares in Bang & Olufsen A/S ("**B&O**"), a company incorporated in Denmark whose shares are listed and traded on Nasdaq Copenhagen.

As at 31 March 2020, the Group held 4,686,449 shares of B&O, representing approximately 10.85% of its total issued shares. The carrying amount of this investment represented approximately 3.5% of the total assets of the Group as at 31 March 2020.

No dividend was generated from this investment to the Group during this financial year.

The Group's financial assets at fair value through other comprehensive income ("**FVTOCI**") of HK$124 million as at 31 March 2020 (31 March 2019: HK$426 million) represented the Group's strategic investment on B&O. The decrease in carrying amount of the Group's financial assets at FVTOCI during this financial year was mainly due to fair value change on the market price of the shares of B&O. During the financial year ended 31 March 2020, the Group had disposed of 1,313,551 shares of B&O in the market and hence realised an amount of approximately HK$59.5 million. The share price of B&O dropped to Danish Krone ("**DKK**")23.18 per share as at 31 March 2020 (31 March 2019: DKK59.9 per share) as quoted on the Nasdaq Copenhagen, representing a decrease in fair value of approximately 61% during the financial year ended 31 March 2020.

As announced by B&O on 3 June 2020, a rights issue has been approved by its shareholders at its extraordinary general meeting held on 3 June 2020. The rights issue would be effected at a subscription ratio of 2:1 (1 existing share would give the right to subscribe for 2 new shares) and at a subscription price per new share of DKK 5.

As announced by the Company on 24 June 2020, in order to maintain its proportionate ownership in B&O representing approximately 11.45% after the cancellation of treasury shares on 3 June 2020, the Group had subscribed for the B&O rights shares at a cost of approximately DKK47 million (equivalent to approximately HK$55 million) in June 2020. Further details of above subscription of the B&O rights shares were set out in the announcement of the Company dated 24 June 2020.

RECENT DEVELOPMENT AND PROSPECT

During the fourth quarter of the year ended 31 March 2020, the Group was temporarily affected by the outbreak of COVID-19, but the financial and operational activities of the Group had recovered to healthy status since the first quarter of the financial year ending 31 March 2021 ("**FY 2021**").

The outbreak of coronavirus across the world is expected to put pressure on the luxury cars market. The car factories are forced to close temporarily due to the pandemic, and hence the global supply is seriously affected. It is expected that there will be a short term impact on the Group's luxury car sales but the supply of luxury cars is expected to be back to normal gradually in the second half of FY2021.

Regarding the Group's non-auto dealerships segment, the products of B&O are expected to record a moderate drop in sales during the first half of FY2021 due to the spread of the COVID-19. We expect the sales will be back to normal in the second half of FY2021.

For others segment, the pandemic causes our film investments and projects on hand to be postponed for at least three months since the theatres were forced to close during the outbreak of the COVID-19. Hence, we expect that such segment will not bring substantial contribution to the Group in the upcoming financial year.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 March 2020 was approximately HK$3,443.4 million, representing a decrease of approximately 7.6% as compared with that of approximately HK$3,724.8 million recorded in the previous year. Such decrease was mainly due to the decrease in sales of automobiles. The table below sets out the Group's revenue for the year indicated:

Revenue Source	FY2020		FY2019		Changes	
		Contribution		Contribution		
	HK$'000	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*(%)*
Automobile segment						
Sales of automobiles	**2,909,604**	**84.5%**	3,193,687	85.7%	(284,083)	(8.9%)
Provision of after-sales services	**106,567**	**3.1%**	114,029	3.1%	(7,462)	(6.5%)
Sub-total	**3,016,171**	**87.6%**	3,307,716	88.8%	(291,545)	(8.8%)
Non-automobile dealership segment	**293,607**	**8.5%**	320,315	8.6%	(26,708)	(8.3%)
Others	**133,652**	**3.9%**	96,814	2.6%	36,838	38.1%
Total	**3,443,430**	**100%**	3,724,845	100%	(281,415)	(7.6%)

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year ended 31 March 2020 decreased by approximately 0.9% to approximately HK$559.9 million (31 March 2019: approximately HK$564.9 million).

The decrease in the gross profit margin was mainly due to the decrease in gross profit of sales of automobiles by approximately 17.7% in the auto dealerships segment mainly arising from decline in that of Rolls-Royce as compared with the records in the last financial year.

Such decrease was offset partially by the increase in gross profit from property management business arising from the effect of adoption of HKFRS 16 in this financial year. In addition, the Group recorded operating results of twelve months of this segment while only those of eight months were recorded since the acquisition of the property management business was completed in the last financial year.

Other Income, Gains and Losses

Other income, gains and losses were approximately HK$5.5 million for the year ended 31 March 2020, representing approximately 93.9% decrease from approximately HK$90.6 million in the last financial year. Such decrease was because the Group did not record any income from investments, debt securities and loan receivables; and decrease in fair value of investment properties and investment in films.

Selling and distribution costs

The selling and distribution costs increased by approximately 0.3%.The increase was mainly due to the increase in depreciation for the property, plant and equipment but such increase was offset by the decrease of rental expenses.

Administrative expenses

The administrative expenses decreased by approximately HK$65.8 million. The changes were due to no incurrence of expenses in relation to the acquisition and investment in debt securities in this financial year, and decrease in amortisation of other intangible asset due to the Group derecognised part of intangible asset under adoption of a new accounting standard.

Finance Costs

The finance costs of the Group increased by approximately 100.5% from approximately HK$41.0 million in the previous financial year to approximately HK$82.1 million in this financial year. The increase was due to the full year impact on borrowings 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$31.0 million under the new accounting standard for leases.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2020 were approximately HK$3,597.1 million (31 March 2019: approximately HK$3,933.7 million) which were mainly financed by the total equity and the total liabilities of approximately HK$2,002.9 million (31 March 2019: approximately HK$2,373.2 million) and HK$1,594.1 million (31 March 2019: approximately HK$1,560.5 million) respectively.

Cash Flow

The Group's cash at banks and in hand as of 31 March 2020 were approximately HK$116.0 million (31 March 2019: approximately 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. The decrease of the Group's cash at banks and in hand was mainly attributable to the repayment of borrowings during the financial year ended 31 March 2020.

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.

Property, plant and equipment, investment properties, prepaid lease payment, other intangible assets and lease liabilities

	As at 31.3.2020	As at 31.3.2019	**Changes**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	**955,446**	242,273	713,173
Investment properties	**408,462**	–	408,462
Prepaid lease payment	**–**	582,165	(582,165)
Other intangible assets	**280,062**	386,877	(106,815)
	1,643,970	1,211,315	432,655

	As at 31.3.2020 *HK$'000*	As at 31.3.2019 *HK$'000*	**Changes** *HK$'000*
Lease liabilities	**384,384**	–	384,384

The changes of the property, plant and equipment, investment properties, prepaid lease payment, other intangible assets and lease liabilities of the Group arose mainly from the impact on the adoption of the new accounting standard, Hong Kong Financial Reporting Standard ("**HKFRS**") 16 – Leases, depreciation of non-current assets, change in fair value of investment properties, addition/disposal of non-current assets and exchange realignments as mentioned above. For associated right-of-use asset for property leases, which have been or are planned to be subleased, they were recognised as investment properties when they met the definition of an investment property and were measured at fair value.

The application of the new accounting standard led to consequential amendments to HKFRS 3 Business Combinations. As the Group previously recognised an intangible asset applying HKFRS 3 Business Combinations relating to favourable terms of an operating lease acquired as part of a business combination, the Group should derecognise that asset or liability and adjust the carrying amount of the right-of-use asset by a corresponding amount at the date of initial application.

Other than the impact mentioned above, the Group acquired intangible assets of approximately HK$168.5 million in respect of the film related business. (2019: approximately HK$413.2 million in relation to the acquisition of subsidiaries under property management services segment).

Goodwill

	As at 31.3.2020	As at 31.3.2019	**Changes**
	HK$'000	*HK$'000*	*HK$'000*
Goodwill	**380,978**	397,545	(16,567)

The decrease in goodwill was mainly due to the differences in exchange translation and the impairment loss on catering business incurred during this financial year.

Investment in films

As at 31 March 2020, the Group recorded approximately HK$28.8 million of investment in films (31 March 2019: approximately HK$301.8 million). Such decrease was mainly due to the disposal of the investment in two films during this financial year.

Borrowings

The Group's borrowings as at 31 March 2020 were approximately HK$755.4 million, representing a decrease of approximately 13.6% 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 total equity increased to approximately 37.7% as at 31 March 2020 (31 March 2019: approximately 36.8%).

Inventories

As at 31 March 2020, the Group's inventories decreased by approximately 11.3% from approximately HK$1,028.8 million as at 31 March 2019 to approximately HK$912.9 million. Such decrease was primarily due to the decrease in automobile and audio inventories which comprised approximately 52.2% and 14.9% of the inventories of the Group respectively.

The Group's average inventory turnover days increased from 121 days in the year ended 31 March 2019 to 123 days in the year ended 31 March 2020.

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 investment of the Group are denominated in RMB, HK$, DKK and United States Dollar.

The Group did not enter into any foreign currency forward contract for this financial year. As at 31 March 2020 and 2019, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts.

Contingent Liabilities and Capital Commitment

The Board considered that the Group had no material contingent liabilities as at 31 March 2020 (31 March 2019: nil). The Board considered that the Group had no material capital commitment as at 31 March 2020 (31 March 2019: nil).

Charges on Assets

As at 31 March 2020, property, plant and equipment, prepaid lease payments, deposits and inventories of the Group with aggregate carrying amounts of approximately HK$647.7 million (31 March 2019: approximately HK$131.7 million), $nil (31 March 2019: approximately HK$582.2 million), approximately HK$92.4 million (31 March 2019: approximately HK$106.4 million) and approximately HK$414.0 million (31 March 2019: approximately HK$407.5 million) respectively were pledged to secure general banking facilities and other facilities granted to the Group.

Human Resources

As at 31 March 2020, the Group had 483 (31 March 2019: 530) employees. Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$71.1 million for this financial year (2019: approximately HK$65.3 million).

The Group provided benefits, which included basic salary, commission, discretionary bonus, medical insurance and retirement funds, for employees to sustain 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 its employees for their future advancement.

Subscription of new shares under general mandate completed in June 2020 and use of proceeds from the placing

On 4 June 2020, the Company entered into a subscription agreement under which the Company agreed to allot and issue a total of 318,500,000 new shares to an independent third party at a price of HK$0.157 per share under the general mandate granted to the Directors. The allotment and issue of the 318,500,000 new shares was completed on 15 June 2020 and raised net proceeds of approximately HK$50 million which had been fully used for the subscription of B&O rights shares in June 2020.

Further details of the above subscription were set out in the announcements of the Company dated 4, 15 and 24 June 2020 respectively.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (31 March 2019: nil) while no interim dividend (2019: nil) had been distributed during the year as the Group would like to reserve more capital to operate and develop the existing businesses.

CORPORATE GOVERNANCE

The Group is committed to maintaining a high standard of corporate governance practices and procedures that are consistent with the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. 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 meet with legal and statutory requirements. Throughout the financial year ended 31 March 2020, the Group has adopted the principles and code provisions as set out in the CG Code. The Company has complied compliance with the CG Code throughout the financial year ended 31 March 2020 except for the provision A.1.1 of the Code during this financial year and deviation from provision A.2.1 of the Code since 1 January 2018.

Code provision A.1.1 of the CG Code stipulates that the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the financial year, only three board meetings were held, two of which to review and discuss the annual and interim results. The Company does not announce its quarterly results and holds the board meeting on need basis, hence it does not consider the holding of quarterly meeting necessary.

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 leadership 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, pursuant to Rule 3.10A of the Listing Rules, the Company must appoint independent non-executive Director representing at least one-third of the Board. Further to the appointment of Mr. Ma Chao as an executive Director on 16 June 2020, the number of independent non-executive Directors falls below the minimum requirement under Rule 3.10A of the Listing Rules. The Company will take suitable measures to meet such requirement as soon as practicable in accordance with the Listing Rules. Further announcement will be made when such measures are taken.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 4:30 p.m. on 28 August 2020 at Regus, Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong and a notice of annual general meeting will be published and despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 August 2020 to Friday, 28 August 2020 (both days inclusive) during which period, no transfer of the shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 24 August 2020.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the consolidated financial statements and annual results announcement of the Company for the year ended 31 March 2020 and is of the opinion that the preparation of such results is complied with applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company repurchased a total of 206,232,000 shares on the Stock Exchange at an aggregate consideration of HK$55,296,044.15 from April 2019 to February 2020. As at 31 March 2020, all the repurchased shares have been cancelled.

	Date of repurchase	Highest price *HK$*	Lowest price *HK$*	Average price *HK$*	no. of shares	Total paid *HK$*
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
19	2 October 2019	0.27	0.27	0.270000	2,720,000	734,400.00
20	3 October 2019	0.27	0.26	0.262700	2,000,000	525,400.00
21	4 October 2019	0.265	0.265	0.265000	1,952,000	517,280.00
22	8 October 2019	0.265	0.265	0.265000	1,800,000	477,000.00
23	10 October 2019	0.265	0.265	0.265000	2,200,000	583,000.00
24	15 October 2019	0.265	0.265	0.265000	1,200,000	318,000.00
25	16 October 2019	0.26	0.26	0.260000	1,400,000	364,000.00
26	17 October 2019	0.26	0.26	0.260000	2,000,000	520,000.00
27	16 December 2019	0.249	0.249	0.249000	10,080,000	2,509,920.00
28	14 January 2020	0.255	0.255	0.255000	5,000,000	1,275,000.00
29	15 January 2020	0.255	0.255	0.255000	5,000,000	1,275,000.00
30	16 January 2020	0.255	0.255	0.255000	20,000,000	5,100,000.00
31	23 January 2020	0.255	0.25	0.254968	5,000,000	1,274,840.00
32	5 February 2020	0.255	0.25	0.254800	10,000,000	2,548,000.00
33	6 February 2020	0.255	0.255	0.255000	5,000,000	1,275,000.00
34	12 February 2020	0.255	0.255	0.255000	15,000,000	3,825,000.00
35	25 February 2020	0.255	0.25	0.254984	20,000,000	5,099,680.00
36	26 February 2020	0.255	0.249	0.251820	16,800,000	4,230,576.00
	Total				206,232,000	55,296,044.15

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any Shares during the year ended 31 March 2020.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

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 during the year ended 31 March 2020 and up to the date of this announcement.

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.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.hk970.com.

The annual report of the Company for the year ended 31 March 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Zheng Hao Jiang
Chairman

Hong Kong, 30 June 2020

As at the date of this announcement, the Company has four executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, Mr. Zhao Xiaodong, Mr. Zhu Lei and Mr. Ma Chao. The non-executive Directors are Mr. Gao Yu, Mr. Qi Jian Wei and Mr. Liu Hongqiang. 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*