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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 2020

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") 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 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Notes	Six months ended 30 September 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Revenue	*5*	**1,850,031**	1,748,357
Cost of sales		**(1,563,825)**	(1,438,045)
Gross profit		**286,206**	310,312
Other income, gains and losses	*5*	**17,787**	18,002
Selling and distribution costs		**(202,985)**	(210,210)
Administrative expenses		**(37,001)**	(49,317)
Operating profit	*6*	**64,007**	68,787
Finance costs	*7*	**(34,853)**	(39,642)
Profit before income tax		**29,154**	29,145
Income tax	*8*	**1,804**	6,136
Profit for the period		**30,958**	35,281
Other comprehensive income, net of tax			
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 period		**67,965**	(148,020)

		Six months ended 30 September	
		2020	2019
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**43,482**	(85,030)
Other comprehensive income for the period, net of tax		**111,447**	(233,050)
Total comprehensive income for the period		**142,405**	(197,769)
Profit/(loss) for the period attributable to:			
Owners of the Company		**31,413**	38,732
Non-controlling interests		**(455)**	(3,451)
		30,958	35,281
Total comprehensive income attributable to:			
Owners of the Company		**142,829**	(194,318)
Non-controlling interests		**(424)**	(3,451)
		142,405	(197,769)
Earnings per share attributable to owners of the Company during the period			(Re-presented)
Basic and diluted	*10*	**HK0.6 cent**	HK0.8 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	**30 September 2020** **HK$'000** **(Unaudited)**	31 March 2020 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11(a)*	**958,465**	955,446
Investment properties	*11(b)*	**390,934**	408,462
Goodwill	*12*	**387,141**	380,978
Other intangible assets	*13*	**284,634**	280,062
Financial assets at fair value through other comprehensive income	*14*	**247,034**	124,406
Prepayment for property, plant and equipment		**3,158**	3,054
Rental deposits paid to a related party	*15(a)*	**6,475**	6,475
		2,277,841	2,158,883
Current assets			
Inventories		**653,999**	912,922
Trade receivables	*16*	**45,102**	36,828
Deposits, prepayments and other receivables		**258,510**	251,175
Investment in films		**31,038**	28,777
Pledged deposits		**138,904**	92,424
Cash at banks and in hand		**216,124**	116,049
		1,343,677	1,438,175
Current liabilities			
Trade payables	*17*	**51,123**	60,946
Contract liabilities		**299,703**	186,972
Receipts in advance, accrued charges and other payables		**148,148**	109,654
Amounts due to non-controlling interests	*15(b)*	**10,627**	11,915
Provision for taxation		**4,018**	2,915
Borrowings	*18*	**328,948**	581,962
Lease liabilities		**50,693**	55,506
		893,260	1,009,870

	Note	30 September 2020 HK$'000 (Unaudited)	31 March 2020 HK$'000 (Audited)
Net current assets		**450,417**	428,305
Total assets less current liabilities		**2,728,258**	2,587,188
Non-current liabilities			
Borrowings	*18*	**144,611**	173,414
Deferred tax liabilities		**80,242**	81,986
Lease liabilities		**306,381**	328,878
		531,234	584,278
NET ASSETS		**2,197,024**	2,002,910
EQUITY			
Share capital		**10,224**	9,587
Reserves		**2,183,331**	1,991,135
Equity attributable to owners to the Company		**2,193,555**	2,000,722
Non-controlling interests		**3,469**	2,188
TOTAL EQUITY		**2,197,024**	2,002,910

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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

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

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 30 November 2020.

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

The preparation of an interim 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 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim 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:

- Amendments to HKFRS 3: Definition of a Business
- Amendments to HKAS 1 and HKAS 8: Definition of Material
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7: Interest Rate Benchmark Reform
- Amendments to HKFRS 16: Coronavirus-2019 ("COVID-19")-Related Rent Concessions

The new or amended HKFRSs that are effective from 1 April 2020 did not have any significant impact on the Group's accounting policies.

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 16: COVID-19-Related Rent Concessions

Effective 1 June 2020, HKFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and

(c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in HKFRS 16 in accounting for the concession.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2020.

4. SEGMENT INFORMATION

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

The executive Directors have identified the following reportable operating segments:

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

(ii) Non-auto dealership – this segment includes sales of branded watches, 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.

Segment revenue and results

For the six months ended 30 September 2020

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

For the six months ended 30 September 2019

	Auto dealership	Non-auto dealership	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(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

Segment assets and liabilities

As at 30 September 2020

	Auto dealership *HK$'000* (Unaudited)	Non-auto dealership *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Reportable segment assets	**1,515,848**	**588,554**	**982,995**	**3,087,397**
Financial assets at fair value through other comprehensive income ("FVTOCI")				**247,034**
Deposits, prepayments and other receivables				**38,285**
Cash at banks and in hand				**29,174**
Other corporate assets:				
– financial assets				**41,603**
– non-financial assets				**178,025**
Consolidated total assets				**3,621,518**
Additions to non-current segment assets during the period	**23,244**	**65**	**–**	**23,309**
Unallocated				**6,265**
				29,574
Reportable segment liabilities	**499,203**	**114,527**	**225,409**	**839,139**
Borrowings				**473,559**
Other corporate liabilities:				
– financial liabilities				**2,661**
– non-financial liabilities				**109,135**
Consolidated total liabilities				**1,424,494**

As at 31 March 2020

	Auto dealership *HK$'000* (Audited)	Non-auto dealership *HK$'000* (Audited)	Others *HK$'000* (Audited)	Total *HK$'000* (Audited)
Reportable segment assets	1,669,534	601,151	969,967	3,240,652
Financial assets at FVTOCI				124,406
Deposits, prepayments and other receivables				27,363
Cash at banks and in hand				6,011
Other corporate assets:				
– financial assets				11,866
– non-financial assets				186,760
Consolidated total assets				3,597,058
Additions to non-current segment assets during the year	187,694	160,821	660,944	1,009,459
Unallocated				4,389
				1,013,848
Reportable segment liabilities	356,394	135,975	233,884	726,253
Borrowings				755,376
Other corporate liabilities:				
– financial liabilities				10,035
– non-financial liabilities				102,484
Consolidated total liabilities				1,594,148

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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment results	**89,642**	94,724
Bank interest income	**739**	919
Unallocated corporate incomes	**1,496**	1,083
Unallocated corporate expenses	**(27,870)**	(27,939)
Finance costs	**(34,853)**	(39,642)
Profit before income tax	**29,154**	29,145

5. REVENUE, OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Revenue from contracts with customers:		
Recognised at point in time		
Sales of automobiles	**1,607,841**	1,470,221
Sales of other merchandised goods	**150,342**	147,583
Recognised over time		
Provision of after-sales services	**41,199**	56,557
Provision of property management services	**11,059**	12,532
Provision of catering services	**–**	14,200
Total revenue from contracts with customers	**1,810,441**	1,701,093
Revenue from other sources:		
Provision of property rental services	**39,590**	47,264
	1,850,031	1,748,357

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income, gains and losses		
Bank interest income	**739**	919
Bonus from supplier	**3,037**	4,329
Gain on disposals of property, plant and equipment	**–**	12
Government grants		
– Employment Support Scheme *(Note (i))*	**468**	–
Income from advertising, exhibitions and other services	**6,660**	13,986
Income from insurance brokerage	**15,790**	18,931
Change in fair value of investment properties	**(16,528)**	(14,850)
Change in fair value of investment in films	**140**	(7,462)
Rent concessions	**5,231**	–
Written off of property, plant and equipment	**(67)**	–
Exchange difference	**1,343**	–
Others	**974**	2,137
	17,787	18,002

Note:

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

6. OPERATING PROFIT

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

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of other intangible assets	**4,858**	5,024
Cost of inventories recognised as expense	**1,560,149**	1,432,570
Depreciation of property, plant and equipment	**51,616**	49,280
Exchange differences, net	**(1,343)**	11,625
Government grants		
– Employment Support Scheme	**(468)**	–
Interest on lease liabilities	**12,569**	15,660
Lease payments not included in the measurement of lease liabilities	**6,318**	–
Loss on disposal of property, plant and equipment	**–**	4
Rent concessions	**(5,231)**	–
Written off of property, plant and equipment	**67**	–
Employee costs, including directors' emoluments	**21,797**	26,687
Contributions to retirement benefits scheme	**2,494**	5,758
Employee benefit expenses	**24,291**	32,445

7. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**11,020**	13,054
Interest on other loans	**11,264**	10,928
Interest on lease liabilities	**12,569**	15,660
	34,853	39,642

8. INCOME TAX

Under the two-tiered profits tax rates regime in Hong Kong, Hong Kong profits tax on qualifying entity of the Group in Hong Kong 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 during the six months ended 30 September 2020. The profits of group entities not qualifying for the two-tiered profits tax rates regime will be taxed at a flat rate of 16.5% (six month period ended 30 September 2019: 16.5% on the 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 six months ended 30 September 2019 and 2020.

	Six months ended 30 September	
	2020	2019
	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	**784**	417
Under-provision in prior years	**96**	42
Total current tax	**880**	459
Deferred tax	**(2,684)**	(6,595)
	(1,804)	(6,136)

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2019 and 2020, 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$31,413,000 (six months ended 30 September 2019: HK$38,732,000) by the weighted average of 5,003,453,497 (six months ended 30 September 2019: 5,024,170,372 (re-presented)) ordinary shares in issue during the period ended 30 September 2020.

Basic earnings per share for six months ended 30 September 2019 are re-presented to reflect the bonus element of the placing of Shares during the period.

(b) Diluted

Diluted earnings per share for the six months ended 30 September 2019 and 2020 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 2020, the Group acquired items of property, plant and equipment at a total cost of HK$29,574,000 (six months ended 30 September 2019: HK$33,291,000). No property, plant and equipment were disposed of during the six months ended 30 September 2020 (six months ended 30 September 2019: HK$16,000).

(b) Investment properties

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 Mainland 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 six months ended 30 September 2019.

Investment property of approximately HK$14,227,000 was derecognised during the six months ended 30 September 2020 due to the lease modification (i.e. shortening the contractual lease terms). The change fair value of approximately HK$16,528,000 was recognised during the period.

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

The Group's investment properties were revalued on 31 March 2020 and 30 September 2020 by CHFT Advisory And Appraisal Limited ("CHFT"), an independent firm of professional surveyors, on an open market value basis.

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

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

Information about fair value measurements using significant unobservable inputs:

	Significant unobservable inputs		**Relationship of unobservable inputs to fair value**
	30 September 2020	31 March 2020	
Market yield *(%)*	**6.75**	6.75	The higher the market yield, the lower the fair value.
Unit market rent *(Renminbi ("RMB")/sqm)*	**3.49 to 3.90**	3.20 to 3.45	The higher the market rent, the higher the fair value.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

During the six months period ended 30 September 2020, there were no transfer into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

12. GOODWILL

	As at 30 September 2020	As at 31 March 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At cost:		
At beginning of the period/year	**746,931**	772,053
Exchange differences	**6,137**	(25,122)
At end of period/year	**753,068**	746,931
Accumulated impairment:		
At beginning of the period/year	**(365,953)**	(374,508)
Impairment loss recognised during the period/year	**–**	(2,287)
Exchange differences	**26**	10,842
At end of the period/year	**(365,927)**	(365,953)
Net carrying amount	**387,141**	380,978
The carrying amount of goodwill allocated to each of the cash generating units is as follows:		
Auto dealership	**200,202**	200,202
Property management services	**186,939**	180,776
	387,141	380,978

13. OTHER INTANGIBLE ASSETS

During the six months ended 30 September 2020, no intangible assets were acquired by the Group (six months ended 30 September 2019: HK$43,956,000 in relation to the acquisition of film rights).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 September 2020	As at 31 March 2020
	HK'000	*HK'000*
	(Unaudited)	(Audited)
Listed equity securities, at fair value	**247,034**	124,406

The balance represented the equity investment in Bang & Olufsen ("B&O") whose shares are listed and traded on Nasdaq Copenhagen. The fair value was based on quoted market price as at 30 September 2020 and 31 March 2020. The equity investment was irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

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

(a) Rental deposits paid to a related party

The Group entered into several agreements with Mr. Kei Kin Hung ("Mr. Kei"), a substantial shareholder of the Company, for leasing of properties as office premises, warehouse and showrooms in Mainland China to the Group. The refundable rental deposits paid to Mr. Kei have been recognised as non-current assets as at 30 September 2020.

(b) Balances with non-controlling interests

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

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-sale services. The Group seeks to maintain strict control over its outstanding trade receivables and has a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by the management.

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

	As at 30 September 2020 ***HK$'000*** **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
0-30 days	**44,332**	34,441
31-120 days	**140**	2,387
Over 120 days	**630**	–
	45,102	36,828

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

17. TRADE PAYABLES

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

	As at 30 September 2020 ***HK$'000*** **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
0-30 days	**10,032**	1,746
31-60 days	**38,729**	48,784
61-90 days	**–**	–
Over 90 days	**2,362**	10,416
	51,123	60,946

18. BORROWINGS

	As at 30 September 2020 ***HK$'000*** **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
Current		
Bank loans	**119,803**	175,397
Other loans	**209,145**	406,565
	328,948	581,962
Non-current		
Bank loans	**144,611**	173,414
Total	**473,559**	755,376
Effective interest rates per annum in range of:		
– fixed rate borrowings	**1.70% to 8.50%**	2.40% to 8.50%
– variable rate borrowings	**3%**	N/A

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 2020 and 31 March 2020, certain of the Group's land and buildings, pledged deposits and inventories were pledged to secure the loan facilities granted to the Group.

(iv) Borrowings were secured by corporate guarantees executed by the Company and certain subsidiaries during the six months ended 30 September 2020 and the year ended 31 March 2020.

(v) Borrowings were secured by guarantees executed by a director of the Group and a director of a subsidiary in China during the six months ended 30 September 2020 and the year ended 31 March 2020.

(vi) Borrowings were secured by guarantees executed by a substantial shareholder of the Company and his spouse during the six months ended 30 September 2020 and the year ended 31 March 2020.

19. OPERATING LEASE ARRANGEMENT

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

	As at 30 September 2020	As at 31 March 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**75,578**	89,300
Later than one year but not later than two years	**41,783**	47,198
Later than two years but not later than three years	**34,745**	36,317
Later than three years but not later than four years	**31,370**	31,415
Later than four years but not later than five years	**24,656**	22,603
Later than five years	**104,331**	93,738
	312,463	320,571

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The economy of the People's Republic of China ("PRC", "Mainland China" or "China") recovered further from the COVID-19 pandemic in the third quarter of 2020 according to data released by the National Bureau of Statistics of China on 19 October 2020. The gross domestic product ("GDP") of the world's second largest economy expanded by 4.9% in the third quarter of 2020 compared to the corresponding period of the previous year. Similarly, International Monetary Fund ("IMF") expected China to be the only economy in the world to show positive growth in 2020 as its GDP is predicted to expand by 1.9% this year while the economy of the United States of America ("US") and the United Kingdom are expected to contract by 4.3% and 9.8% respectively this year, based on the latest economic outlook published on 13 October 2020. IMF further expects China's GDP growth will accelerate to 8.2% in 2021.

China's Luxury Goods Market

There are multiple ongoing updates and research reports published by reputable authorities, investment banks and global research houses in relation to the projected growth of demand for luxury goods in China for the reason that high-income Mainland Chinese shoppers drive the country's post-pandemic economic rebound. According to "2020 Boston Consulting Group ("BCG") x Tencent Digital Luxury Report" on 1 October 2020, Chinese demand for luxury goods is projected to grow as much as 30% this year. The report quotes a Xinhua news report that citizens were indulging in "revenge travel" over the Golden Week holiday. This surge of travel spending matches the phenomenon of "revenge spending" reflecting pent up demand. "The luxury market in China was the first to recover from the impact of COVID-19, and is witnessing an increasing rebound in local consumption and online channel adoption. The share of pure online purchases has increased to 30%, indicating a shift towards an omni-channel journey. In the post-COVID era, luxury brands need to re-consider the key characteristics of Chinese consumers, think about how to better leverage digitalization enablers to understand and cater to consumers' needs, and develop a truly omni-channel shopping experience that takes into account both service and experience." said Crystal Hao, Managing Director & Partner of BCG.

China will become the driving force of luxury, said Daniel Langer, CEO of the luxury, lifestyle and consumer brand strategy firm Équité and the professor of luxury strategy and extreme value creation at Pepperdine University. The European Union and the US have a combined population of around 780.0 million with an aging demographic. China is home to a much younger 1.4 billion people and has a higher annual population growth than the US and Europe combined. While the average income per capita in China is still significantly lower than that in the US or Europe, it is catching up fast, and more than a hundred million of new Chinese luxury consumers will enter the market over the next decade. Several luxury market analysts are estimating that the percentage of Chinese consumers making global luxury purchases will jump from 40 to 50 percent over the next 10 years. And since China's population and its projected economy growth will outpace those of the US and Europe, the country's increase in global luxury consumption seems inevitable.

BUSINESS REVIEW

Automobile Dealerships

During the financial period under review, Bentley recorded positive sales results but Lamborghini and Rolls-Royce experienced a drop in revenue. Bentley performed the best with the largest sales increment, amounting to approximately HK$787.9 million and representing approximately 84.8% increase in sales in the financial period under review from approximately HK$426.3 million during the corresponding financial period last year. A total of 232 units of Bentley were sold, representing an increase of approximately 74.4% as compared with 133 units sold in the corresponding financial period last year.

According to the "Half-yearly Financial Report" issued by Volkswagen Group for the period from January to June 2020 on 29 July 2020, Volkswagen Group reported its demand in Asia Pacific region was first affected by COVID-19 pandemic early in the year and then began to increase again in the second quarter of 2020 and reached the previous year's level. Bentley was the only brand under Volkswagen Group that did not fall short of its prior-year figure, with sales up 2.8% to 4,918 vehicles compared with the same period in 2019. Bentley sold 11,006 cars last year, according to the report.

Rolls-Royce recorded a drop in sales during the financial period under review with a total of approximately HK$677.8 million, representing a decrease of approximately 10.5% as compared with that of approximately HK$757.6 million recorded in the corresponding financial period last year. At the same time, a total of 104 units of Rolls-Royce were sold, representing a decrease of approximately 12.6% as compared with 119 units sold in the corresponding financial period last year.

Lamborghini recorded approximately 38.9% decrease in unit sales to 44 units sold during the financial period under review, as compared with 72 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$142.1 million, representing a decrease of approximately 50.4% as compared with that of approximately HK$286.4 million recorded in the corresponding financial period last year.

Revenue from after-sales services during the financial period under review has decreased. It reached approximately HK$41.2 million, amounting to a decrease of approximately 27.2% as compared with the revenue recorded in the corresponding financial period last year. Regarding the gross profit margin, we saw a decrease from approximately 52.7% in the corresponding financial period last year to approximately 45.9% in the financial period under review.

Non-auto Dealerships

During the financial period under review, the sales performance of our non-auto dealership division recorded an increase of approximately 1.8% to approximately HK$150.3 million, as compared with approximately HK$147.6 million in the corresponding financial period last year.

Gross profit margin of the non-auto dealership division slightly decreased from 35.8% in the previous financial period to 35.0% in the period under review.

During the financial period under review, the sales performance of audio equipment division recorded an increase. The revenue increased by approximately 3.0% to HK$119.6 million, as compared with approximately HK$116.1 million in the previous financial period. Sales of cigars and smoker's accessories division also increased in terms of quantity and sales amount, with sales revenue increased by 70.1%, in term of approximately HK$13.1 million as compared with approximately HK$7.7 million in the previous financial period.

Among all brands under non-auto dealership division, Bang & Olufsen ("B&O") performed the best in terms of revenue and gross profit contribution during the financial period under review.

Others

During the financial period under review, the revenue from our others division, which include the provision of property management services, catering services and film investments, recorded a decrease of approximate 31.6% to approximately HK$50.6 million, as compared with approximately HK$74.0 million in the previous financial period. The decrease was mainly due to the impact of the outbreak of the COVID-19.

Regarding the property management business, the revenue decrease was mainly due to rental concessions offered to tenants of property management business during the period under review. However, the decrease was partially offset by the rental concession offered by landlords. Therefore, the operating results for such business has no significant change as compared with last period.

Regarding the catering business, one of our restaurants had been closed in the second half of the last financial year, and the operations of the catering business was limited during the financial period under review.

Regarding the film business, due to the outbreak of COVID-19 pandemic, the releasing schedule of our film investments have been postponed. No revenue was generated during the period under review.

Regarding the Earn-out Adjustments as defined and mentioned in the Company's announcement dated 29 October 2018 and supplemental announcement dated 30 December 2018, based on the calculation results as at 30 September 2020, the Target Group (as defined in the Company's announcement dated 29 October 2020) still recorded a loss and therefore the Group did not have any contingent liability arising out of it.

Equity Investment

As at 30 September 2020, the Group held 14,059,347 shares (31 March 2020: 4,686,449 shares) of B&O, approximately 11.45% of its total issued shares, as a long term investment for capital appreciation and distributions. The carrying amount of this investment represented approximately 6.8% of the total assets of the Group as at 30 September 2020.

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

The Group's financial assets at fair value through other comprehensive income ("FVTOCI") of HK$247.0 million as at 30 September 2020 (31 March 2020: HK$124.0 million) represented the Group's strategic investment on B&O. The increase in carrying amount of the Group's finance assets at FVTOCI during the financial period under review was mainly due to subscription of the B&O rights shares and fair value change on the market price of the shares of B&O. The share price of B&O dropped to Danish Krone ("DKK") 14.37 per share as at 30 September 2020 (31 March 2020: DKK23.18 per share) as quoted on the Nasdaq Copenhagen, representing a decrease of approximately 38.0% during the financial period under review.

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 5.0.

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 DKK46.9 million (equivalent to approximately HK$54.7 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.

OUTLOOK

Despite the outbreak of COVID-19 across the world, the Group's businesses had gradually recovered. Regarding the auto dealership segment, the supply of luxury autos remained stable during third quarter of the financial year ending 31 March 2021 ("FY2021"). If the COVID-19 pandemic is effectively controlled in early 2021, we expect that the luxury autos supply will be stabilized in the last quarter of FY2021 and sales performance of automobiles will improve as compared with the corresponding period in the year ended 31 March 2020 ("FY2020"). Additionally, the State Council, the National Development and Reform Commission and other PRC government authorities jointly issued a notice dated 28 April 2020 on measures to stabilise and expand automotive consumption, and such measures are expected to bring positive impact to the Group's auto dealership business.

According to the information from auto maker, a new model of Rolls-Royce's "Ghost" will be launched at the end of third quarter of FY2021. Besides, the Group is glad to announce that it will open its Rolls-Royce and Bentley after-sales services center in Tianjin tentatively in mid-December 2020, with a view to bringing upgrade in our service center in Tianjin and hence generating more revenue to the Group in FY2021.

The income generated from after-sales services has recovered, though to a limited extent, since the beginning of the second half of FY2021. However, in view of the "Notice by the China Banking and Insurance Regulatory Commission of Issuing the Guiding Opinions on Implementing the Comprehensive Reform of Auto Insurance" issued by the State Council of the PRC on 2 September 2020 which came into effect on 19 September 2020, which included policies such as the increase of compulsory traffic insurance liability limits and optimizing the floating coefficient for the premium rates of compulsory traffic accident liability insurance, it is estimated that the income from insurance brokerage and the gross profit of after-sales services will be adversely affected.

Regarding the Group's non-auto dealership segment, revenue of B&O is expected to maintain a moderate growth in the second half of FY2021. Also, it is expected that Georg Jensen, one of our newly acquired brands under the non-auto dealership segment, will grow steadily in FY2021.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 September 2020 was approximately HK$1,850.0 million, representing an increase of approximately 5.8% as compared with that of approximately HK$1,748.4 million recorded in the corresponding financial period last year. The increase was driven by sales of automobiles, which however was partially offset by the decrease in revenue from provision of after-sales services and property management business. The table below sets out the Group's revenue by segments for the period indicated:

	Six months ended 30 September					
	2020		2019		**Changes**	
Revenue Source		**Contribution**		Contribution		
	HK$'000	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*%*
Automobile segment						
Sales of automobiles	**1,607,841**	**86.9%**	1,470,221	84.1%	137,620	9.4%
Provision of after-sales services	**41,199**	**2.2%**	56,557	3.2%	(15,358)	(27.2%)
Sub-total	**1,649,040**	**89.1%**	1,526,778	87.3%	122,262	8.0%
Non-automobile dealership segment	**150,342**	**8.2%**	147,583	8.5%	2,759	1.9%
Others	**50,649**	**2.7%**	73,996	4.2%	(23,347)	(31.6%)
Total	**1,850,031**	**100%**	1,748,357	100%	101,674	5.8%

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 September 2020 decreased by approximately 7.8% to approximately HK$286.2 million (30 September 2019: HK$310.3 million) while the gross profit margin of the Group for the six months ended 30 September 2020 decreased from 17.7% to 15.5%.

The decline in gross profit was mainly attributable to decline in gross profit of the automobile after-sales services due to the negative impact arising from the outbreak of COVID-19 which led to a decrease in demand for after-sales services; and decrease in gross profit of others segment was due to the closure of a restaurant in the second half of last financial year.

Other Income, Gains and Losses

Other income, gains and losses decreased from approximately HK$18.0 million for the six months ended 30 September 2019 to approximately HK$17.8 million for the six months ended 30 September 2020.

Selling and distribution costs

The selling and distribution costs decreased by approximately 3.4% to HK$203.0 million during the period under review as compared with HK$210.2 million for the corresponding period of the last financial year.

Administrative expenses

The administrative expenses decreased by approximately HK$12.3 million from HK$49.3 million for the six months ended 30 September 2019 to HK$37.0 million for the six months ended 30 September 2020. The changes were mainly due to no incurrence of exchange loss for the investment in films during the period under review.

Finance Costs

The financing costs of the Group decreased by approximately 11.9% from approximately HK$39.6 million for the six months ended 30 September 2019 to approximately HK$34.9 million for the six months ended 30 September 2020, due to the decrease in borrowing for purchase of automobiles inventories and decline in interest expenses on lease liabilities during the period under review.

Property, plant and equipment

The Group's property, plant and equipment as at 30 September 2020 were approximately HK$958.5 million (31 March 2020: HK$955.4 million). During the six months ended 30 September 2020, the Group acquired items of property, plant and equipment at a total cost of approximately HK$29.6 million (six months ended 30 September 2019: approximately HK$33.3 million). No property, plant and equipment were disposed of during the six months ended 30 September 2020 (the net carrying amount for six months ended 30 September 2019: HK$16,000).

Investment properties

The Group's investment properties as at 30 September 2020 were approximately HK$390.9 million (31 March 2020: HK$408.5 million). The change in value of investment properties was mainly due to decrease in fair value, the lease modification and the differences in exchange translation incurred during the financial period under review.

Other intangible assets

The Group's other intangible assets as at 30 September 2020 were approximately HK$284.6 million (31 March 2020: HK$280.1 million). The change in value of other intangible assets was mainly due to amortisation and the differences in exchange translation incurred during the financial period under review.

Goodwill

The Group's goodwill as at 30 September 2020 was approximately HK$387.1 million (31 March 2020: HK$381.0 million). The increase in goodwill was mainly due to the differences in exchange translation incurred during the financial period under review.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 September 2020 were approximately HK$3,621.5 million (31 March 2020: HK$3,597.1 million) which were financed by the total equity and total liabilities of approximately HK$2,197.0 million (31 March 2020: HK$2,002.9 million) and HK$1,424.5 million (31 March 2020: HK$1,594.1 million) respectively.

Cash Flow

The Group's cash and cash equivalents as at 30 September 2020 were approximately HK$216.0 million (31 March 2020: HK$116.0 million) which were mainly denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB").

The Group's primary uses of cash are to repay the Group's borrowings, to pay for purchases of inventories and to fund the Group's working capital and normal operating costs. The increase of the Group's cash at banks and in hand was mainly attributable to the decrease in inventory level when compared with the 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.

Borrowings

The Group's borrowings as at 30 September 2020 were approximately HK$473.6 million, representing a decrease of approximately 37.3% from approximately HK$755.4 million as at 31 March 2020. 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 21.6% as at 30 September 2020 (31 March 2020: 37.7%).

Inventories

As at 30 September 2020, the Group's inventories decreased by approximately 28.4% from approximately HK$912.9 million as at 31 March 2020 to approximately HK$654.0 million. Such decrease was primarily due to the decrease in automobile inventories which comprised approximately 34.6% of the inventories of the Group.

The Group's average inventory turnover days decreased from 126 days for the six months ended 30 September 2019 to 91 days for the six months ended 30 September 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 investments of the Group are 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 2020, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts (30 September 2019: nil).

Contingent Liabilities and Capital Commitment

The Board considered that the Group had no material contingent liabilities as at 30 September 2020 (31 March 2020: nil). The Board considered that the Group had no material capital commitment as at 30 September 2020 in respect of acquisition of property, plant and equipment (31 March 2019: nil).

Charges on Assets

As at 30 September 2020, land and buildings, deposits and inventories of the Group with aggregate carrying amounts of approximately HK$659.6 million (31 March 2020: approximately HK$647.7 million), approximately HK$138.9 million (31 March 2020: approximately HK$92.4 million) and approximately HK$130.3 million (31 March 2020: approximately HK$414.0 million) respectively were pledged to secure general banking facilities and other facilities granted to the Group.

Human Resources

As at 30 September 2020, the Group had 435 employees (31 March 2020: 483). Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$24.3 million for the six months ended 30 September 2020 (30 September 2019: HK$32.4 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.

Subscriptions of new shares under general mandate and use of proceeds from the subscriptions

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 ordinary shares of HK$0.002 each (with an aggregate nominal value of HK$637,000) to ImmenseTech Investment Limited (a company beneficially owned by Mr. Qiu Peiyuan and an independent third party), at a price of HK$0.157 per share under the general mandate granted to the Directors. The closing price as quoted on the Stock Exchange on 4 June 2020, being the date of the subscription agreement, was HK$0.191 per share. The allotment and issue of the 318,500,000 new shares was completed on 15 June 2020 and raised net proceeds of approximately HK$50.0 million (with a net price of approximately HK$0.1566 per share), which had been fully used for the subscription of B&O rights shares in June 2020 as intended. Further details of the above subscription were set out in the announcements of the Company dated 4, 15 and 24 June 2020 respectively.

As at 30 September 2020, the net proceeds from the placing of the Company's new shares completed on 15 June 2020 had been fully utilised as follows:

	Planned use of net proceeds as disclosed in the announcement dated 4 June 2020	**Net proceeds utilized in June 2020**	**Net proceeds unutilised as at 30 September 2020**
	HK$'million	*HK$'million*	*HK$'million*
Subscription of the B&O Rights Shares	50	50	–
Total	50	50	–

On 2 July 2020, the Company entered into another subscription agreement (the “Subscription Agreement”) under which the Company agreed to allot and issue a total of 674,000,000 new ordinary shares of HK$0.002 each (with an aggregate nominal value of HK$1,348,000) to Mr. Wang Qiang (the “Subscriber”) (a shareholder of the Company holding less than 5% of the equity interest of the Company as at the date of the subscription agreement), at a price of HK$0.20 per share under the general mandate granted to the Directors. On 25 September 2020, as the Subscriber was unable to arrange sufficient funds to settle the full amount of the Subscription Price (as defined in the announcement dated 2 July 2020) due to the disruptive impact of COVID-19, the Company and the Subscriber agreed to terminate the Subscription Agreement. Accordingly, the Subscription did not proceed and no new Shares were issued under the Subscription (as defined in the announcement dated 2 July 2020). Further details of the above transaction were set out in the announcement of the Company dated 2 July 2020 and 25 September 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Group are dealerships of luxury goods and automobiles, provision of after-sales services, provision of property management services, provision of property rental services and film related business including development and investment in films. The Group’s operations are mainly based in Hong Kong and Mainland China.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil) as the Group would like to reserve more capital to capture opportunities and meet the challenges ahead.

PRE-EMPTIVE RIGHTS

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to govern securities transactions by the Directors. After having made specific enquiry of all of the Directors, they confirmed that they have complied with the Model Code throughout the six months ended 30 September 2020.

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 2020.

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 2020, the Group has adopted the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Listing Rules. The Company has been in compliance with the Code throughout the six months ended 30 September 2020 except for the deviation from provision A.2.1 of the Code since 1 January 2018.

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

Pursuant to Rule 3.10A of the Listing Rules, the Company must appoint independent non-executive directors representing at least one-third of the Board. Upon 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 number requirement under Rule 3.10A of the Listing Rules.

Rule 3.11 of the Listing Rules stipulates that the Company shall appoint a sufficient number of independent non-executive Directors to meet the minimum number requirement within three months after failing to meet the requirement (the "Grace Period"). An application for a waiver for strict compliance with the Grace Period was made to Stock Exchange which was granted to the Company to extend the time to comply with Rule 3.10A of the Listing Rules from 16 September 2020 to 15 October 2020, subject to the disclosure of the waiver (including details and reasons) by way of an announcement, which was published by the Company on 25 September 2020.

Following the re-designation of Mr. Gao Yu ("Mr. Gao") as an independent non-executive Director on 10 October 2020, the Company has complied with the minimum number requirement in respect of the independent non-executive Directors under Rule 3.10A of the Listing Rules.

As confirmed by Mr. Gao, he satisfies the independence guidelines as set out in Rule 3.13 of the Listing Rules except Rule 3.13(7) as he has been appointed as a non-executive Director with the Company for more than nine years.

The Board considered the following factors and is of the view that such long relationship of Mr. Gao with the Company will not affect his independence:

(a) on 30 September 2010, Mr. Gao, as a nominee of MSPEA Luxury Holding B.V. ("MSPEA"), a limited liability company indirectly controlled by Morgan Stanley Private Equity Asia III, L.P. and a substantial shareholder of the Company from 24 September 2010, was appointed as a non-executive Director. MSPEA disposed of all its interests in the Company in December 2013. Since such disposal, Mr. Gao ceased to represent the interests of MSPEA and sits on the Board solely in his own personal capacity;

(b) Mr. Gao attended the Board meetings and contributed his overall guidance towards the matters discussed at the Board meetings based on his knowledge and experience, particularly in financial, investment and corporate governance matters;

(c) Mr. Gao has not had any executive or day-to-day management role or functions in the Company or any member of the Group since his appointment as the non-executive Director;

(d) Mr. Gao does not hold any interests in the Company or any member of the Group;

(e) after the exit of MSPEA, Mr. Gao is independent of any connected person (within the meaning of the Listing Rules) of the Company;

(f) apart from the signing of a letter of appointment with the Company, Mr. Gao has not been under the employment of any member of the Group; and

(g) Mr. Gao satisfies the independence guidelines as set out in Rule 3.13 of the Listing Rules except Rule 3.13(7).

The nomination committee of the Company comprising all independent non-executive Directors before the re-designation of Mr. Gao (the "Nomination Committee") had also made assessment on Mr. Gao and considers that Mr. Gao's non-executive role in the Company has no impact on his independence and Mr. Gao possesses the experience, character and integrity to carry out the duty as an independent non-executive Director.

The Board concurred with the view of the Nomination Committee and believed that Mr. Gao is eligible to be re-designated as an independent non-executive Director and he will continue to contribute effectively to the Board.

Submissions have been made to the Stock Exchange which has been persuaded that Mr. Gao is independent to act as an independent non-executive Director based on the information provided by the Company. For further details of the re-designation of Mr. Gao as an independent non-executive Director, please refer to the announcement dated 8 October 2020.

To further enhance the corporate governance of the Company by increasing the portion of the independent non-executive directors equal to or preferably more than a half of the Board, Mr. Liu Xiaoyi was appointed as an independent non-executive Director with effect from 22 October 2020 and Mr. Liu Hongqiang was re-designated as an independent non-executive Director with effect from 13 November 2020. For further details of the appointment of Mr. Liu Xiaoyi and the re-deisgnation of Mr. Liu Hongqiang, please refer to the announcements dated 21 October 2020 and 13 November 2020 respectively.

In addition, the Audit Committee of the Company, comprising exclusively Independent Non-executive Directors, is free to directly 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 Code. The Audit Committee has reviewed and approved the interim condensed consolidated financial statements of the Group for the six months ended 30 September 2020 with no disagreement with the accounting treatment adopted by the Company.

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

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 30 November 2020

As at the date of this announcement, the Company has four executive Directors, one non-executive Director and six independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, Mr. Ma Chao, Mr. Zhao Xiaodong and Mr. Zhu Lei. The non-executive Director is Mr. Qi Jian Wei. The independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Gao Yu, Mr. Lam Kwok Cheong, Mr. Lee Thomas Kang Bor, Mr. Liu Hongqiang and Mr. Liu Xiaoyi.

* *for identification purpose only*