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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

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 2021, together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	*5*	**4,525,762**	3,443,430
Cost of sales		**(3,834,009)**	(2,883,545)
Gross profit		**691,753**	559,885
Other income, gains and losses	*6*	**(51,230)**	5,506
Selling and distribution costs		**(467,229)**	(382,880)
Administrative expenses		**(76,684)**	(84,860)
Operating profit	*7*	**96,610**	97,651
Finance costs	*8*	**(64,486)**	(82,132)
Profit before income tax		**32,124**	15,519
Income tax	*9*	**5,653**	10,486
Profit for the year		**37,777**	26,005
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		**133,793**	(98,753)
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		**341,019**	(242,240)

	Note	2021 HK$'000	2020 HK$'000
Other comprehensive income for the year, net of tax		**474,812**	(340,993)
Total comprehensive income for the year		**512,589**	(314,988)
Profit for the year attributable to:			
Owners of the Company		**37,527**	30,283
Non-controlling interests		**250**	(4,278)
		37,777	26,005
Total comprehensive income attributable to:			
Owners of the Company		**512,222**	(310,619)
Non-controlling interests		**367**	(4,369)
		512,589	(314,988)
			(Re-presented)
Earnings per share attributable to owners of the Company			
Basic and diluted	*10*	**HK0.7 cent**	HK0.6 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**1,021,292**	955,446
Investment properties		**379,998**	408,462
Goodwill	*13*	**385,657**	380,978
Other intangible assets	*14*	**265,022**	280,062
Financial assets at fair value through other comprehensive income	*15*	**520,088**	124,406
Prepayment for property, plant and equipment		**3,309**	3,054
Rental deposits paid to a related party		**–**	6,475
		2,575,366	2,158,883
Current assets			
Inventories		**696,224**	912,922
Trade receivables	*16*	**18,489**	36,828
Loan receivables		**90,000**	–
Deposits, prepayments and other receivables		**190,440**	251,175
Tax recoverable		**3,575**	–
Investment in films and television program	*17*	**65,023**	28,777
Pledged deposits		**200,495**	92,424
Cash at banks and in hand		**246,540**	116,049
		1,510,786	1,438,175
Current liabilities			
Trade payables	*18*	**28,306**	60,946
Contract liabilities		**292,925**	186,972
Receipts in advance, accrued charges and other payables		**164,366**	109,654
Amounts due to non-controlling interests		**9,999**	11,915
Provision for taxation		**4,478**	2,915
Borrowings		**336,056**	581,962
Lease liabilities	*12*	**49,754**	55,506
		885,884	1,009,870
Net current assets		**624,902**	428,305
Total assets less current liabilities		**3,200,268**	2,587,188

	Note	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Borrowings		**113,856**	173,414
Convertible bonds		**8,135**	–
Deferred tax liabilities		**78,189**	81,986
Lease liabilities	*12*	**340,792**	328,878
		540,972	584,278
NET ASSETS		**2,659,296**	2,002,910
EQUITY			
Share capital		**10,944**	9,587
Reserves		**2,644,011**	1,991,135
Equity attributable to owners to the Company		**2,654,955**	2,000,722
Non-controlling interests		**4,341**	2,188
TOTAL EQUITY		**2,659,296**	2,002,910

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 property rental services, provision of money lending services, and film related business including development and investment in films and television program. 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 ultimate holding company. The Directors regard the Company does not have ultimate controlling party.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") 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.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the preparation of the consolidated financial statements.

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 HKFRSs

(a) Adoption of new or revised HKFRSs – effective on 1 April 2020

The HKICPA has issued a number of new or amended HKFRSs that are first effective 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 HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions (early adopted)

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions. Impact on the applications of these amended HKFRSs are summarised below.

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 April 2020. The Group acquired 100% equity interest on a company which merely holds a property in Mainland China. The Group has elected to apply the concentration test to the acquisition transaction. As the fair value of the gross assets acquired was substantially concentrated in the properties, this subsidiary was determined not to be a business. Accordingly, the Group did not apply the acquisition method to the acquisition of this subsidiary.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions (early adopted)

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(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 in 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 this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

(b) New or amended 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 HKAS 1 and HK Interpretation 5 (2020)	"Classification of Liabilities as Current or Non-current" and "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"[5]
Amendments to HKAS 1	Disclosure of Accounting Policies[5]
Amendments to HKAS 8	Definition of Accounting Estimates[5]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[5]
Amendments to HKAS 16	Proceeds before Intended Use[3]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Annual Improvements to HKFRSs 2018-2020[3]	

[1] Effective for annual periods beginning on or after 1 January 2021.

[2] Effective for annual periods beginning on or after 1 April 2021.

[3] Effective for annual periods beginning on or after 1 January 2022.

[4] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

[5] Effective for annual periods beginning on or after 1 January 2023.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors do not anticipate that these application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 1 – Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosure. The amendments to HKAS 1 require companies to disclosure their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)

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

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amend a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The Directors do not anticipate that the application of these improvements in the future will have an impact on the financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

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

The Directors do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

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 and silver articles and home articles.

(iii) Property management and others – this segment includes provision of property management services, catering services, property rental services and money lending services; and film related business including development and investment in films and television program.

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

	2021			
	Auto dealership	**Non-auto dealership**	**Property management and others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**4,076,322**	**331,020**	**118,420**	**4,525,762**
Other income, gains and losses	**36,098**	**8,160**	**(48,784)**	**(4,526)**
Reportable segment revenue	**4,112,420**	**339,180**	**69,636**	**4,521,236**
Reportable segment results	**230,045**	**(39,480)**	**(24,220)**	**166,345**

	2020			
	Auto dealership	Non-auto dealership	Property management and 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

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

	2021 *HK$'000*	2020 *HK$'000*
Reportable segment results	**166,345**	149,289
Bank interest income	**2,271**	2,033
Unallocated corporate income	**4,027**	3,449
Unallocated corporate expenses	**(76,033)**	(57,120)
Finance costs	**(64,486)**	(82,132)
Profit before income tax	**32,124**	15,519

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, money lending and property rental services.

	2021 *HK$'000*	2020 *HK$'000*
Revenue from contracts with customers:		
Recognised at point in time		
Sales of automobiles	**3,998,437**	2,909,604
Sales of other merchandised goods	**331,020**	293,607
Recognised over time		
Provision of after-sales services	**77,885**	106,567
Provision of property management services	**35,574**	24,229
Provision of catering services	**–**	20,965
Total revenue from contracts with customers	**4,442,916**	3,354,972
Revenue from other sources:		
Interest income from provision of money lending	**344**	–
Provision of property rental services	**82,502**	88,458
Total	**4,525,762**	3,443,430

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

	2021	2020
	HK$'000	*HK$'000*
Types of goods or services:		
Auto dealership segment		
Sales of automobiles	**3,998,437**	2,909,604
Provision of after-sales services	**77,885**	106,567
	4,076,322	3,016,171
Non-auto dealership segment		
Sales of other merchandised goods	**331,020**	293,607
Other segment		
Provision of property management services	**35,574**	24,229
Provision of catering services	**–**	20,965
Total revenue from contracts with customers	**4,442,916**	3,354,972

During the year, HK$4,442,916,000 (2020: HK$3,350,373,000) revenue from contracts with customers were generated from Mainland China and Hong Kong. The remaining of HK$nil (2020: HK$4,599,000) were generated from Malaysia.

6. OTHER INCOME, GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Bank interest income	**2,271**	2,033
Bonus from a supplier	**1,736**	–
Changes in fair value of investment properties	**(45,630)**	(35,368)
Changes in fair value of investment in films and television program	**(1,004)**	(27,207)
Gain on disposal of films	**–**	1,486
(Loss)/gain on disposal of property, plant and equipment	**(3,315)**	4
Gain on lease modification	**8,555**	1,669
Government grant *(Note)*	**702**	–
Impairment of goodwill	**(26,136)**	(2,287)
Impairment of other intangible assets	**(26,866)**	–
Income from advertising, exhibitions and other services	**19,950**	30,749
Income from insurance brokerage	**21,104**	31,482
Loss on disposal of investment property	**(14,717)**	–
Rent concessions	**5,412**	–
Others	**6,776**	3,626
Written off of property, plant and equipment	**(68)**	(681)
	(51,230)	5,506

Note:

During the year, the Group has received financial support from the Hong Kong Special Administrative Region Government who set up the Anti-epidemic Fund under the Employment Support Scheme to encourage entities to retain their employees who would otherwise be made redundant. Under the Employment Support Scheme, the Group is required not to make redundancies during the subsidy period and to spend all of subsidies on paying salaries.

7. OPERATING PROFIT

This is arrived at after charging/(crediting):

	2021	2020
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**9,982**	9,825
Auditors' remuneration		
– Audit services	**2,300**	2,318
– Non-audit services	**341**	446
Cost of inventories recognised as expenses, including	**3,824,862**	2,883,545
– Write-down of inventories	**14,770**	1,701
– Reversal of write-down of inventories	**(7,668)**	(431)
Depreciation of property, plant and equipment	**99,120**	104,820
Exchange differences, net	**(2,693)**	11,655
Employee benefit expenses	**62,168**	71,072
Interest on lease liabilities	**25,666**	30,975
Impairment of goodwill	**26,136**	2,287
Impairment of other intangible assets	**26,866**	–
Lease payments under short term leases	**323**	653
Lease payments under variable lease payment not included in the measurement of lease liabilities	**7,138**	4,155
Written off of other intangible assets	**196**	–
Written off of property, plant and equipment	**68**	681

8. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on bank borrowings	**20,708**	24,369
Interest on other loans	**17,970**	26,788
Interest on lease liabilities	**25,666**	30,975
Imputed interest on convertible bonds	**142**	–
	64,486	82,132

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 years ended 31 March 2020 and 2021.

The Group's subsidiaries in Mainland China are subject to income tax at the rate of 25% except that subsidiaries are entitled to tax exemption for the years ended 31 March 2020 and 2021.

	2021	2020
	HK$'000	*HK$'000*
Current tax		
– Income tax of other jurisdictions		
Charge for the year	**2,730**	2,213
Under-provision in prior years	**37**	42
Total current tax	**2,767**	2,255
Deferred tax	**(8,420)**	(12,741)
	(5,653)	(10,486)

10. EARNINGS PER SHARE

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

	2021	2020
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share	**37,257**	30,283
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible bonds	**142**	–
Earnings for the purposes of diluted earnings per share	**37,399**	30,283

	2021	2020
		(Re-presented)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**5,083,691,828**	4,974,350,942
Effect of dilutive potential ordinary shares:		
– Convertible bonds issued by the Company	**5,589,041**	–
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**5,089,280,869**	4,974,350,942

Basic earnings per share for year ended 31 March 2020 are re-presented to reflect the bonus element of the placing of shares during the year.

The Company did not have any potential ordinary shares outstanding during the year ended 31 March 2020. Accordingly, diluted earnings per share are equal to basic earnings per share.

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 2019				
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	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)
Closing net carrying amount	840,541	100,432	14,473	955,446
At 31 March 2020 and 1 April 2020				
Cost	935,377	276,035	32,736	1,244,148
Accumulated depreciation and impairment	(94,836)	(175,603)	(18,263)	(288,702)
Net carrying amount	840,541	100,432	14,473	955,446
Year ended 31 March 2021				
Opening net carrying amount	840,541	100,432	14,473	955,446
Exchange differences	69,648	8,496	1,143	79,287
Additions	59,346	21,653	9,528	90,527
Acquisition of a property holding company	13,464	–	–	13,464
Written off	–	(1)	(67)	(68)
Disposals	–	(4,482)	–	(4,482)
Modification of leases	(13,762)	–	–	(13,762)
Depreciation	(64,933)	(30,752)	(3,435)	(99,120)
Closing net carrying amount	904,304	95,346	21,642	1,021,292
At 31 March 2021				
Cost	1,027,104	300,657	44,207	1,371,968
Accumulated depreciation and impairment	(122,800)	(205,311)	(22,565)	(350,676)
Net carrying amount	904,304	95,346	21,642	1,021,292

As at 31 March 2020 and 2021, the Group's land and buildings with carrying amount of approximately HK$693,818,000 were pledged as securities for the Group's borrowing facilities.

12. LEASE

(a) The Group as lessee

The Group has lease contracts for building, office premises, bounded 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*
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 and 1 April 2020	527,942	192,826	720,768
Additions	–	59,346	59,346
Depreciation expense	(16,794)	(43,874)	(60,668)
Modification of leases	–	(13,762)	(13,762)
Exchange differences	43,395	15,950	59,345
As at 31 March 2021	554,543	210,486	765,029

As at 31 March 2021, the Group's right-of-use assets in respect of leasehold land with carrying amount of approximately HK$554,543,000 (2020: HK$527,942,000) were pledged to secure certain bank loans granted to the Group.

(ii) Lease liabilities

	2021	2020
	HK$'000	*HK$'000*
As at 1 April	**384,384**	479,401
New leases	**59,346**	64,094
Interest expense	**25,666**	30,975
Lease payment	**(62,311)**	(75,053)
Interest payment	**(25,666)**	(30,975)
Modification of leases	**(22,317)**	(54,094)
Exchange differences	**31,444**	(29,964)
As at 31 March	**390,546**	384,384
Classified under:		
Non-current portion	**340,792**	328,878
Current portion	**49,754**	55,506
	390,546	384,384

13. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2021	2020
	HK$'000	*HK$'000*
At cost:		
At beginning of the year	**746,931**	772,053
Exchange differences	**62,135**	(25,122)
At end of year	**809,066**	746,931
Accumulated impairment:		
At beginning of the year	**(365,953)**	(374,508)
Impairment loss recognised	**(26,136)**	(2,287)
Exchange differences	**(31,320)**	10,842
At end of the year	**(423,409)**	(365,953)
Net carrying amount	**385,657**	380,978

The carrying amount of goodwill allocated to each of the cash-generating unit is as follows:

	2021	2020
	HK$'000	*HK$'000*
Auto dealership	**216,886**	200,202
Property management services	**168,771**	180,776
	385,657	380,978

14. OTHER INTANGIBLE ASSETS

	Trademark	Film rights	Customers' list from property management contracts	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2019				
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	–	130,248	130,562
Addition	–	168,539	–	168,539
Amortisation	(79)	–	(9,746)	(9,825)
Exchange adjustment	–	(3,703)	(5,511)	(9,214)
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
Year ended 31 March 2021				
Opening net carrying amount	235	164,836	114,991	280,062
Amortisation	(39)	–	(9,943)	(9,982)
Exchange adjustment	–	12,775	9,229	22,004
Impairment	–	(26,866)	–	(26,866)
Written off	(196)	–	–	(196)
Closing net carrying amount	–	150,745	114,277	265,022
At 31 March 2021				
Gross carrying amount	–	178,571	141,755	320,326
Accumulated amortisation and impairment	–	(27,826)	(27,478)	(55,304)
Net carrying amount	–	150,745	114,277	265,022

The Group regularly reviews its film right to assess marketability/future economic benefits of film and the corresponding recoverable amounts. The estimated recoverable amounts were performed by CHFT as at 31 March 2020 and 2021 were determined based on the present value of expected future revenues and related cash flows arising from the distribution and sublicensing of the film, which were derived from discounting the projected cash flows using a discount rate of 26% (2020: 29%) for the relevant assets. As at 31 March 2021, the recoverable amount of film right is lower than the carrying amount, impairment losses of approximately HK$26,866,000 is recognised for the year ended 31 March 2021.

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

	2021	2020
	HK$'000	*HK$'000*
Listed equity securities, at fair value, classified as financial assets at FVTOCI	**520,088**	124,406

The balance represented the investment in Bang & Olufsen A/S which is a listed equity in Denmark. The fair value was based on quoted market price as at 31 March 2020 and 2021. The equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment 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:

	2021	2020
	HK$'000	*HK$'000*
0 – 30 days	**15,976**	34,441
31 – 120 days	**2,513**	2,387
	18,489	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. INVESTMENT IN FILMS AND TELEVISION PROGRAM

	2021	2020
	HK$'000	*HK$'000*
Investment in films, at fair value through profit or loss ("FVTPL")	**30,346**	28,777
Investment in television program, at FVTPL	**34,677**	–
	65,023	28,777

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

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:

	2021	2020
	HK$'000	*HK$'000*
0 – 30 days	**31**	1,746
31 – 60 days	**26,645**	48,784
61 – 90 days	**–**	–
Over 90 days	**1,630**	10,416
	28,306	60,946

19. DIVIDEND

No dividend was paid, declared or proposed by the Company in respect of the years ended 31 March 2020 and 2021.

CHAIRMAN'S STATEMENT

China has set an economic growth target of 6% for 2021, said Premier Li Keqiang at the opening ceremony of the China's National People's Congress in March 2021. GDP growth of 18.3% year-on-year in the first quarter of 2021 was the strongest since China began keeping records in 1992, and such growth was driven by a surge in retail sales, industrial production and investment in fixed assets. Such surge was the strongest quarterly growth on record as the world's second largest economy continued its robust recovery from the coronavirus pandemic.

During the financial year under review, the Group's revenue increased from HK$3,443.4 million to HK$4,526.8 million. Gross profit for the financial year under review increased from HK$559.9 million last year to HK$691.8 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$37.5 million was recorded in this financial year compared with a net profit of HK$30.3 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 surfaced a bright spot during the COVID-19 pandemic. According to the "The Future of Luxury: Bouncing Back from Covid-19" released by Bain & Company on 14 January 2021, the luxury industry has been heavily impacted by the COVID-19 crisis in 2020. The overall luxury market encompassing both luxury good and experiences shrank by 20% to 22% at current exchange rates, and is now estimated at approximately €1 trillion globally, back to its 2015 level. However, Mainland China is the only region globally to end the year on a positive note, growing by 45% at current exchange rates to reach €44 billion. The report forecasts Chinese consumers will become a dominating nationality for luxury, growing to represent over 45% of global purchases while China is on a path to become the biggest luxury market, in which Chinese domestic consumption by 2025 will account for around 45% of the global luxury market.

According to an article titled “China leads luxury into 2021” published on 4 January 2021 by Fondation de la Haute Horlogerie (which was established in 2005 in Geneva by Audemars Piguet, Girard-Perregaux and the Richemont Group with its objective is to promote Fine Watchmaking worldwide), it mentioned that according to the estimates by US investment bank Jeffries, China’s share of global personal luxury goods expenditure shot up from 38% in 2019 to 80 to 85% in 2020. There were numerous reasons for this, starting with China’s rapid economic recovery after lockdown was lifted, and the fact that there has been no second wave of infections, as has been the case just about everywhere else in the world. Travel restrictions are also part of the equation as domestic consumption benefited from purchases that Chinese shoppers would ordinarily have made overseas, of which Chinese tourists accounted for 51% of the European luxury market in 2019. Jeffries forecasts that luxury expenditure in China will continue to account for some 60% of the global market.

For the global luxury car market, China is the only country to experience growth last year despite the COVID-19 pandemic. According to an article titled “China’s luxury cars see sales surge in 2020” issued on 1 February 2021 by chinadaily.com.cn (which is the largest English portal in China providing news, business information, BBS, learning materials), it mentioned that according to 21st Century Business Herald, China has bucked the trend to become the only country among mainstream automotive markets to experience growth last year, and luxury brands were the only segment in the nation that witnessed a sales surge during the COVID-19 pandemic. Statistics from the China Passenger Car Association showed that a total of 2.53 million luxury vehicles were sold in China in 2020, representing an increase of 14.7% from 2019, and grabbing a 13% of market share among total passenger vehicles. This also marked the third consecutive year for luxury brands to realize growth in the wake of downward pressure in China’s overall automotive market.

China is still the most important luxury car market globally based on a “Global Light Vehicle Sales Update – April 2021” issued in April 2021 by LMC Automotive (which is a market leader in the field of automotive intelligence and forecasts to an extensive client base of car and truck makers, component manufacturers and suppliers, financial, logistics and government institutions around the world). It also mentioned that the crash in global car sales earlier in the year and the subsequent powerful recovery, augurs well for the industry, particularly as China, the world’s biggest market, was leading the way. The report also said Chinese consumer confidence has returned to a pre-pandemic level. The circumstance of the COVID-19 pandemic have rebounded in favour of the car because of its private, sealed nature and its immunity from contact with the general public.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Auto Dealerships

During the financial year under review, revenue of the ultra-luxury automobile distributorships of Bentley, Lamborghini and Rolls-Royce recorded an approximately 35% increase to approximately HK$4,076 million, as compared with that of approximately HK$3,016 million in the previous financial year. All of our three auto brands, Bentley, Rolls-Royce and Lamborghini recorded sales growth. Bentley performed the best among the Group's three auto brands in terms of the increase in revenue and gross profit with total sales of approximately HK$2,005 million, representing an approximately 75% rise as compared with that of approximately HK$1,146 million recorded in the previous financial year. 586 units of Bentley were sold, representing an increase of approximately 70% as compared with 345 units sold in the previous financial year. Among all models of Bentley sold during this financial year, Bentayga performed the best in terms of revenue and gross profit contribution.

According to an article titled "Bentley achieves record sales in most challenging of years" issued by Automotive World (which is the world's leading independent automotive publishing and events company, on 5 January 2021), Bentley announced a total sales of 11,206 units in 2020, an increase of 2% over 2019. Bentley's biggest growth was reserved for China, posting a sales increase of 48%, 2,880 cars, against 1,940 as the traditional sedan market welcomed the introduction of the all-new Flying Spur, with Bentayga sales remaining strong.

Rolls-Royce recorded a rise in sales during this financial year with a total of approximately HK$1,553 million, representing an approximately 17% increase in sales as compared with that of approximately HK$1,326 million during the previous financial year. 233 units of Rolls-Royce were sold, representing an increase of approximately 13% as compared with 207 units sold in the previous financial year. Among all models of Rolls-Royce sold during this financial year, Wraith performed the best in terms of revenue and gross profit contribution.

Lamborghini recorded an approximately 1% increase in sales to approximately HK$440.8 million during this financial year, as compared with that of approximately HK$437.6 million in the previous financial year. 130 units of Lamborghini were sold, representing an increase of approximately 13% as compared with 115 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.

Gross profit of sale of automobiles increased during this financial year due to the increase in unit sold of Bentley and Rolls-Royce and the increase in gross profit margin of Bentley. For Lamborghini, gross profit margin recorded a decline during this financial year.

Revenue of after-sales services recorded a decline of approximately 27% during this financial year as compared with that of the previous financial year. The gross profit margin decreased from approximately 42% in the previous financial year to approximately 38% in this financial year.

Non-auto Dealerships

During the year under review, the sales of our non-auto dealerships division recorded an increase in revenue of approximately 13% to approximately HK$331 million as compared with that of approximately HK$293.6 million in the previous financial year.

Gross profit margin of our non-auto dealerships division decreased during this financial year from approximately 36.5% in the previous financial year to approximately 33.5% in this financial year.

Among all non-auto dealerships during this financial year, Bang & Olufsen performed the best in terms of revenue contribution.

During this financial year under review, the Group has entered into the Variation and Renewal Agreement with Oettinger Davidoff for a further period of three years up until 30 September 2023, while the Group's dealership with renowned jewellery brand, Royal Asscher, was ended in October 2020. Further details of the Variation and Renewal Agreement were set out in the announcement of the Company dated 8 October 2020.

Others

During the financial year under review, the revenue from our others division, which include the provision of property management services, catering services, films and television program investments and money lending business, recorded a decrease of approximate 11.4% to approximately HK$118.4 million, as compared with that of approximately HK$133.7 million in the previous financial year. The decrease was mainly due to the lack of revenue generated from catering business during this financial year.

Regarding the property management business, its revenue recorded an increase for this financial year which was mainly due to the increase in provision of property management services in this financial year. However, the increase was partially offset by the rental concessions offered to tenants. 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 results, the profit guarantee of not less than RMB66,125,000 million has been achieved between 1 April 2020 to 31 March 2021 in relation to the property management business. As disclosed in our annual reports 2019 and 2020, the profit guarantees for the first and second year had been fulfilled, the 3-years profit guarantee of the total not less than RMB173,625,000 million has been fully fulfilled by the Vendor for the period between 1 April 2018 to 31 March 2021 in accordance with the related sale and purchase agreement.

Due to the impact of the outbreak of COVID-19 pandemic, the Group has ceased the catering business during the financial year ended 31 March 2021.

Regarding the film business, due to the outbreak of COVID-19 pandemic, the releasing schedule of our film investments has been postponed. No revenue was generated during the financial year ended 31 March 2021.

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 31 March 2021, the Target Group (as defined in the Company's announcement dated 29 October 2018) still recorded a loss and therefore the Group did not have any contingent liability arising out of it.

Regarding the money lending business, the Company has been looking for opportunities since 2018. During this financial year, the Company had utilised a total of HK$90.0 million out of the net proceeds from the issuance of convertible bonds for development of its money lending business and the remaining for general working capital hence recognised a slight loan interest income. For the details of the loan transaction, please refer to the announcements of the Company dated 4 March 2021 and 22 March 2021.

Equity Investment

As a long-term investment for capital appreciation and distribution, 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 A/S. B&O is a global design icon operating in the intersection between consumer electronics and luxury. It was founded in 1925 in Struer, Denmark, by Peter Bang and Svend Olufsen, whose devotion and vision remains the foundation for the company.

As at 31 March 2021, the Group held 14,059,347 shares (31 March 2020: 4,686,449 shares) of B&O, representing approximately 11.45% of its total issued shares. The carrying amount of this investment represented approximately 12.7% of the total assets of the Group as at 31 March 2021.

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$520 million as at 31 March 2021 (31 March 2020: HK$124 million) represented the Group's strategic investment on B&O. The increase in carrying amount of the Group's financial assets at FVTOCI during this financial year under review was mainly due to subscription of B&O right issue and fair value change on the market price of the shares of B&O.

As announced by B&O on 3 June 2020, a rights issue has been approved by its shareholder 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 a subscription price of Danish Krone ("**DKK**") 5 per share.

As announced by the Company on 24 June 2020, in order to maintain its proportionate ownership in B&O, representing approximately 11.45% of its total issued share 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$54.8 million) in June 2020. Further details of the above subscription of the B&O rights shares were set out in the announcement of the Company dated 24 June 2020.

The share price of B&O rose to DKK30.22 per share as at 31 March 2021 (31 March 2020: DKK23.18 per share) as quoted on the NASDAQ Copenhagen A/S, representing an increase of approximately 30.3% during the financial year ended 31 March 2021.

RECENT DEVELOPMENT AND PROSPECT

The vaccination rollouts have eased the spread of COVID-19 pandemic globally. Benefiting from the effective measures of controlling the COVID-19 pandemic in the Mainland China, the financial and operational activities of the Group had been picking up to a healthy status during the financial year ended 31 March 2021.

The Group's luxury car sales are stable since the market demand has been improving during the current financial period, while the global shortage of semiconductors remains a threat to the supply of automobiles by the automakers.

Regarding the Group's non-auto dealerships segment, the demand for products of B&O remains strong. Similar to the situation of the auto-dealerships segment, the shortage of semiconductors may cause a threat to the supply of the products. Regarding the non-auto dealerships segment, we are still positive about the prospect in respect of our various branded products, while we continue to destock our watch, jewellery and fine wines.

For other segments, we have resumed our film investments during the outbreak of the COVID-19. However, we expect that such segment will not bring substantial contribution to the Group in the upcoming financial year.

Regarding the property management business, we would like to report that the Profit Guarantees (as defined in the announcement of the Company dated 25 June 2018) by the Vendor (as defined in the announcement of the Company dated 25 June 2018) had been fulfilled during the year ended 31 March 2021. Nevertheless, looking ahead, the property management business is still facing challenges under the COVID-19 pandemic circumstances.

For money lending business as a new principal business activity, the Group will adopt a prudent approach and will not increase the investment amount in the upcoming financial year.

In conclusion, even though our sound cash position as well as low gearing are expected to prevail in the near future, we will continue to adopt a prudent approach in operating our various segments in the upcoming financial year.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 March 2021 was approximately HK$4,525.8 million, representing an increase of approximately 31.4% as compared with that of approximately HK$3,443.4 million recorded in the previous year. Such increase was mainly due to the increase in sales of automobiles. The table below sets out the Group's revenue for the year indicated:

Revenue Source	FY2021		FY2020		Changes	
		Contribution		Contribution		
	HK$'000	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*%*
Automobile segment						
Sales of automobiles	**3,998,437**	**88.4%**	2,909,604	84.5%	1,088,833	37.4%
Provision of after-sales services	**77,885**	**1.7%**	106,567	3.1%	(28,682)	(26.9%)
Sub-total	**4,076,322**	**90.1%**	3,016,171	87.6%	1,060,151	35.1%
Non-automobile dealership segment	**331,020**	**7.3%**	293,607	8.5%	37,413	12.7%
Others	**118,420**	**2.6%**	133,652	3.9%	(15,232)	(11.4%)
Total	**4,525,762**	**100%**	3,443,430	100%	1,082,332	31.4%

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year ended 31 March 2021 increased by approximately 23.6% to approximately HK$691.8 million (31 March 2020: approximately HK$559.9 million) while the gross profit margin of the Group for the year ended 31 March 2021 decreased from 16.3% to 15.3%.

The increase in the gross profit was mainly due to increase in the gross profit of sales of automobiles by approximately 53.2% in the Auto dealerships segment mainly arising from increase in that of Bentley as compared with the records in the last financial year.

The decrease in gross profit margin was mainly due to the decrease in gross profit of others segment in this financial year. The decrease 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 was approximately HK$51.2 million losses for the year ended 31 March 2021, as compared with that of approximately HK$5.5 million gains in the last financial year. Such change was mainly due to the impairment loss on other intangible assets of film rights, the impairment loss on goodwill of property management services, the changes in fair value of investment properties and investment in films and television program, the decrease in the income from advertising, exhibitions and other service and the income from insurance brokerage.

Selling and distribution costs

The selling and distribution costs increased by approximately 22.0%.The increase was mainly due to the increase in marketing and promotion expenses.

Administrative expenses

The administrative expenses decreased by approximately HK$8.2 million. Such decrease was mainly due to the absence of exchange loss for the investment in films for this financial year.

Finance Costs

The finance costs of the Group decreased by approximately 21.4% from approximately HK$82.1 million in the previous financial year to approximately HK$64.5 million in this financial year. The decrease was due to the decrease in borrowing for purchase of automobiles inventories and decline in interest expenses on lease liabilities in this financial year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2021 were approximately HK$4,086.2 million (31 March 2020: approximately HK$3,597.1 million) which were mainly financed by the total equity and the total liabilities of approximately HK$2,659.3 million (31 March 2020: approximately HK$2,002.9 million) and HK$1,426.9 million (31 March 2020: approximately HK$1,594.1 million) respectively.

Cash Flow

The Group's cash at banks and in hand as of 31 March 2021 were approximately HK$246.5 million (31 March 2020: approximately 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.

Property, plant and equipment

The Group's property, plant and equipment as at 31 March 2021 were approximately HK$1,021.3 million (31 March 2020: HK$955.4 million). During the year, the Group acquired items of property, plant and equipment which mainly comprising right-of-use assets, leasehold improvements and car parking spaces at a total cost of approximately HK$104.0 million (31 March 2020: approximately HK$125.1 million).

Goodwill

The Group's goodwill as at 31 March 2021 was approximately HK$385.7 million (31 March 2020: HK$381.0 million). The slight increase in the goodwill was mainly due to the differences in exchange translation, but such increase was partially offset by the impairment of goodwill on property management services business incurred in this financial year, arising from one of the sub-lease projects expired in April 2021 not renewable after its expiration.

Other intangible assets

The Group's other intangible assets as at 31 March 2021 were approximately HK$265.0 million (31 March 2020: HK$280.1 million). The decrease in other intangible assets was mainly due to the impairment of film rights arising from the impact of COVID-19 pandemic causing release schedules being postponed, and the amortisation of customers' list from property management contracts incurred in this financial year.

Borrowings

The Group's borrowings as at 31 March 2021 were approximately HK$449.9 million, representing a decrease of approximately 40.4% 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 the borrowings during this financial year.

Gearing Ratio

The Group's gearing ratio computed as total borrowings and convertible bonds over total equity decreased to approximately 17.2% as at 31 March 2021 (31 March 2020: approximately 37.7%).

Inventories

As at 31 March 2021, the Group's inventories decreased by approximately 23.7% from approximately HK$912.9 million as at 31 March 2020 to approximately HK$696.2 million. Such decrease was primarily due to the decrease in automobile inventories which comprised approximately 34.5% of the inventories of the Group.

The Group's average inventory turnover days decreased from 123 days in the year ended 31 March 2020 to 77 days in the year ended 31 March 2021.

Exposure to Foreign Exchange Risk

The revenue and expenses of the Group are mainly denominated in RMB and HK$ while the production cost and purchases are denominated in RMB, HK$, Euro, United States Dollar and Swiss Franc.

The Group did not enter into any foreign currency forward contract for this financial year. As at 31 March 2021 and 2020, 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 2021 (31 March 2020: nil). The Board considered that the Group had no material capital commitment as at 31 March 2021 in respect of acquisition of property, plant and equipment (31 March 2020: nil).

Charges on Assets

As at 31 March 2021, land and building, deposits and inventories of the Group with aggregate carrying amounts of approximately HK$693.8 million (31 March 2020: approximately HK$647.7 million), approximately HK$200.5 million (31 March 2020: approximately HK$92.4 million) and approximately HK$47.4 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 31 March 2021, the Group had 438 (31 March 2020: 483) employees. Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$62.2 million for this financial year (2020: approximately HK$71.1 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.

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, 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$0.157 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 31 March 2021, 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 utilised in June 2020**	**Net proceeds unutilised as at 31 March 2021**
	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 of the Company dated 2 July 2020) due to the adverse impact of COVID-19 pandemic, 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 of the Company dated 2 July 2020). Further details of the above transaction were set out in the announcements of the Company dated 2 July 2020 and 25 September 2020.

Issuance of convertible bonds under general mandate and use of proceeds from the issuance of convertible bonds

On 25 January 2021, the Company entered into a subscription agreement with three subscribers, pursuant to which the Company has conditionally agreed to issue, and the subscribers had conditionally agreed to subscribe for, the convertible bonds with aggregate principal of HK$100.0 million (the "**CBs**") convertible into 400,000,000 ordinary shares at a price of HK$0.25 per share (subject to adjustment). The CBs bore zero coupon interest. The Company planned to utilise approximately HK$90.0 million out of the net proceeds of the CBs for development of its money lending business and the remaining for general working capital. The issuance of the CBs had been duly completed and the Company had received net proceeds of approximately HK$99.85 million from the CBs' subscribers. Further details of the above transaction were set out in the announcements of the Company dated 25 January, 1 February, 4 and 22 March 2021.

In March 2021, two of the CBs holders converted the CBs of an aggregate principal amount of HK$90,000,000 into 360,000,000 ordinary shares. As at 31 March 2021, there remained unconverted CBs with principal amount of HK$10,000,000 and the CBs will mature on 8 February 2024.

As at 31 March 2021, the net proceeds from the issuance of CBs completed on 9 March 2021 had been utilised as follows:

	Planned use of net proceeds as disclosed in the announcement dated 25 January 2021	Net proceeds utilised during the financial year ended 31 March 2021	Net proceeds unutilised as at 31 March 2021	Net proceeds utilised in April and May 2021	Net proceeds unutilised as at 31 May 2021
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Development of money lending business	90	90	–	–	–
General working capital	10	3	7	7	–
	100	93	7	7	–

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2021 (31 March 2020: nil) while no interim dividend (2020: 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 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 year ended 31 March 2021, the Group has adopted the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has been in compliance with the Code throughout the year ended 31 March 2021 except for the deviation from provision A.2.1 of the Code since 1 January 2018.

According to provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zheng Hao Jiang is the chairman of the Board and the Chief Executive Officer of the Company with effect from 1 January 2018 and the Co-Chairman of the Board (the "**Co-Chairman**") with effect from 8 July 2020, responsible for overall strategic development, project management and client management of the Group. Mr. Ma Chao, an executive Director, was appointed as a Co-Chairman with effect from 8 July 2020. The Board believes that vesting 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 of the Company 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 redesignated 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 of the Company 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.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company is scheduled to be held at 4:30 p.m. on 21 September 2021 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 Thursday, 16 September 2021 to Tuesday, 21 September 2021 (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 Wednesday 15 September 2021.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the consolidated financial statements and this annual results announcement of the Company for the year ended 31 March 2021 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 2021 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

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

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 2021 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 2021 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 June 2021

As at the date of this announcement, the Company has four executive Directors, one non-executive Director and five independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, Mr. Ma Chao, Mr. Zhao Xiaodong and Mr. Zhu Lei. The 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. Liu Hongqiang and Mr. Liu Xiaoyi.

* *For identification purpose only*