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

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

(Stock Code: 970)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2022

RESULTS

The Board of directors (the “**Board**” or “**Directors**”) of New Sparkle Roll International 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 2022, together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

		2022	2021
	Notes	HK\$'000	HK\$'000
Revenue	5	4,324,487	4,525,762
Cost of sales		<u>(3,468,055)</u>	<u>(3,834,009)</u>
Gross profit		856,432	691,753
Other income, gains and losses	6	(131,599)	(51,230)
Impairment of loan receivables and loan interest receivables	7	(56,390)	–
Selling and distribution costs		(504,468)	(467,229)
Administrative expenses		<u>(81,708)</u>	<u>(76,684)</u>
Operating profit	7	82,267	96,610
Finance costs	8	<u>(72,648)</u>	<u>(64,486)</u>
Profit before income tax		9,619	32,124
Income tax	9	<u>21,895</u>	<u>5,653</u>
Profit for the year		<u>31,514</u>	<u>37,777</u>
Other comprehensive income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		73,884	133,793
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of equity investments at fair value through other comprehensive income recognised during the year		<u>(200,322)</u>	<u>341,019</u>

		2022	2021
	Notes	HK\$'000	HK\$'000
Other comprehensive income for the year, net of tax		<u>(126,438)</u>	<u>474,812</u>
Total comprehensive income for the year		<u>(94,924)</u>	<u>512,589</u>
Profit for the year attributable to:			
Owners of the Company		34,052	37,527
Non-controlling interests		<u>(2,538)</u>	<u>250</u>
		<u>31,514</u>	<u>37,777</u>
Total comprehensive income attributable to:			
Owners of the Company		(92,483)	512,222
Non-controlling interests		<u>(2,441)</u>	<u>367</u>
		<u>(94,924)</u>	<u>512,589</u>
Earnings per share attributable to owners of the Company			
Basic	10	<u>HK0.6 cent</u>	<u>HK0.7 cent</u>
Diluted	10	<u>HK0.6 cent</u>	<u>HK0.7 cent</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	1,389,477	1,021,292
Investment properties		437,425	379,998
Goodwill	13	333,222	385,657
Other intangible assets	14	210,331	265,022
Financial assets at fair value through other comprehensive income	15	319,766	520,088
Prepayment for property, plant and equipment		3,431	3,309
		<u>2,693,652</u>	<u>2,575,366</u>
Current assets			
Inventories		1,361,173	696,224
Trade receivables	16	27,823	18,489
Loan receivables		34,471	90,000
Deposits, prepayments and other receivables		270,889	190,440
Amounts due from non-controlling interests		40,309	–
Tax recoverable		–	3,575
Investment in films and television program	17	63,737	65,023
Pledged deposits		84,111	200,495
Cash at banks and in hand		151,519	246,540
		<u>2,034,032</u>	<u>1,510,786</u>
Current liabilities			
Trade payables	18	142,849	28,306
Contract liabilities		195,632	292,925
Receipts in advance, accrued charges and other payables		127,392	164,366
Amounts due to non-controlling interests		11,420	9,999
Provision for taxation		5,166	4,478
Borrowings		842,469	336,056
Lease liabilities	12	34,880	49,754
		<u>1,359,808</u>	<u>885,884</u>
Net current assets		<u>674,224</u>	<u>624,902</u>
Total assets less current liabilities		<u>3,367,876</u>	<u>3,200,268</u>

		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Borrowings		222,222	113,856
Convertible bonds		8,745	8,135
Deferred tax liabilities		53,465	78,189
Lease liabilities	12	358,121	340,792
		<u>642,553</u>	<u>540,972</u>
NET ASSETS		<u>2,725,323</u>	<u>2,659,296</u>
EQUITY			
Share capital		10,944	10,944
Reserves		2,551,528	2,644,011
Equity attributable to owners to the Company		2,562,472	2,654,955
Non-controlling interests		<u>162,851</u>	<u>4,341</u>
TOTAL EQUITY		<u>2,725,323</u>	<u>2,659,296</u>

NOTES

1. GENERAL

New Sparkle Roll International Group Limited (the “**Company**”, formerly known as Sparkle Roll Group Limited) 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.

Pursuant to the Certificate of Change of Name and the Certificate of Secondary Name issued by the Registrar of Companies in Bermuda, the name of the Company was changed from “Sparkle Roll Group Limited” to “New Sparkle Roll International Group Limited” on 28 September 2021.

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 HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new or revised HKFRSs – effective on 1 April 2021

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

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

None of these amended HKFRSs have 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.

(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” ³
Amendments to HKAS 1 and HKFRS Practice Statements 2	Definition of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Annual Improvements to HKFRSs 2018-2020 ¹	

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

² 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.

³ 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 Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 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 these amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 1, Disclosure of Accounting Policies

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary.

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.

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 are currently assessing the impact that the application of the amendments will have on the Group's consolidated 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 are currently assessing the impact that the application of the improvements will have on the Group's consolidated 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, jewellerys, fine wines, audio equipment, menswear apparels and accessories, cigars and smoker's accessories, silver articles, home articles and health products.
- (iii) Property management and others – this segment includes provision of property management 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.

	2022			
	Auto dealership HK\$'000	Non-auto dealership HK\$'000	Property management and others HK\$'000	Total HK\$'000
Revenue from external customers	3,800,194	437,458	86,835	4,324,487
Other income, gains and losses	34,702	17,000	(249,207)	(197,505)
Reportable segment revenue	3,834,896	454,458	(162,372)	4,126,982
Reportable segment results	437,642	(75,046)	(202,461)	160,135

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

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Reportable segment results	160,135	166,345
Bank interest income	3,776	2,271
Unallocated corporate income	5,845	4,027
Unallocated corporate expenses	(87,541)	(76,033)
Finance costs	<u>(72,648)</u>	<u>(64,486)</u>
Profit before income tax	<u><u>9,567</u></u>	<u><u>32,124</u></u>

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, money lending and property rental services.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers:		
<i>Recognised at point in time</i>		
Sales of automobiles	3,709,351	3,998,437
Sales of other merchandised goods	437,458	331,020
<i>Recognised over time</i>		
Provision of after-sales services	90,843	77,885
Provision of property management services	1,059	35,574
Total revenue from contracts with customers	4,238,711	4,442,916
Revenue from other sources:		
Interest income from provision of money lending	5,652	344
Provision of property rental services	80,124	82,502
Total	4,324,487	4,525,762

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Types of goods or services:		
<i>Auto dealership segment</i>		
Sales of automobiles	3,709,351	3,998,437
Provision of after-sales services	<u>90,843</u>	<u>77,885</u>
	3,800,194	4,076,322
<i>Non-auto dealership segment</i>		
Sales of other merchandised goods	437,458	331,020
<i>Other segment</i>		
Provision of property management services	<u>1,059</u>	<u>35,574</u>
Total revenue from contracts with customers	<u><u>4,238,711</u></u>	<u><u>4,442,916</u></u>

During both years, all revenue from contracts with customers were generated from Mainland China and Hong Kong.

6. OTHER INCOME, GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	3,776	2,271
Bonus from a supplier	–	1,736
Changes in fair value of investment properties	(69,999)	(45,630)
Changes in fair value of investment in films and television program	(3,649)	(1,004)
Gain/(loss) on disposal of property, plant and equipment	6,256	(3,315)
Gain on sales of pre-owned cars	2,754	–
Gain on lease modification	3,647	8,555
Government grant (<i>Note</i>)	–	702
Impairment of goodwill	(65,904)	(26,136)
Impairment of other intangible assets	(8,732)	(26,866)
Income from advertising, exhibitions and other services	32,181	19,950
Income from insurance brokerage	3,132	21,104
Loss on derecognition of an investment property	–	(14,717)
Rent concessions	–	5,412
Others	9,577	6,972
Written off of other intangible assets	(44,638)	(196)
Written off of property, plant and equipment	–	(68)
	<u>(131,599)</u>	<u>(51,230)</u>

Note:

During the year ended 31 March 2021, the Group 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):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amortisation of other intangible assets	10,350	9,982
Auditors' remuneration		
– Audit services	2,100	2,300
– Non-audit services	295	341
Cost of inventories recognised as expenses, including	3,463,418	3,824,862
– Write-down of inventories	24,286	14,770
– Reversal of write-down of inventories	(14,770)	(7,668)
Depreciation of property, plant and equipment	91,143	99,120
Exchange differences, net	573	(2,693)
Employee benefit expenses	70,192	62,168
Interest on lease liabilities	28,806	25,666
Impairment of loan receivables and loan interest receivables (<i>Note</i>)	56,390	–
Impairment of goodwill	65,904	26,136
Impairment of other intangible assets	8,732	26,866
Lease payments under short term leases	2,483	323
Lease payments under variable lease payment not included in the measurement of lease liabilities	2,736	7,138
Written off of other intangible assets	44,638	196
Written off of property, plant and equipment	–	68
	<u> </u>	<u> </u>

Note:

An impairment analysis was undertaken with reference to the expected credit loss assessment performed by Masterpiece Valuation Advisory Limited, an independent qualified valuer, by considering the probability of default with published credit ratings. As at 31 March 2022, the probability of default applied was 100% and the loss given default was estimated to be ranged from 61.50% to 61.77%.

8. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	22,722	20,708
Interest on other loans	20,510	17,970
Interest on lease liabilities	28,806	25,666
Imputed interest on convertible bonds	610	142
	<u>72,648</u>	<u>64,486</u>

9. INCOME TAX

Hong Kong profits tax is calculated at 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity and can apply 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 2021 and 2022.

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 2021 and 2022.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
– Income tax of other jurisdictions		
Charge for the year	5,381	2,730
(Over)/under-provision in prior years	(32)	37
	<u>5,349</u>	<u>2,767</u>
Total current tax	5,349	2,767
Deferred tax	(27,244)	(8,420)
	<u>(21,895)</u>	<u>(5,653)</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic earnings per share	34,052	37,527
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible bonds	<u>610</u>	<u>142</u>
Earnings for the purposes of diluted earnings per share	<u><u>34,662</u></u>	<u><u>37,669</u></u>
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	5,471,953,447	5,083,691,828
Effect of dilutive potential ordinary shares:		
– Convertible bonds issued by the Company	<u>40,000,000</u>	<u>5,589,041</u>
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	<u><u>5,511,953,447</u></u>	<u><u>5,089,280,869</u></u>

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 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
Year ended 31 March 2022				
Opening net carrying amount	904,304	95,346	21,642	1,021,292
Exchange differences	37,720	3,581	567	41,868
Additions	–	6,701	4,686	11,387
Acquisitions of property holding companies	487,776	–	–	487,776
Disposals	–	–	(10,040)	(10,040)
Modification of leases	(71,663)	–	–	(71,663)
Depreciation	(62,675)	(24,287)	(4,181)	(91,143)
Closing net carrying amount	1,295,462	81,341	12,674	1,389,477
At 31 March 2022				
Cost	1,437,907	313,875	37,066	1,788,848
Accumulated depreciation and impairment	(142,445)	(232,534)	(24,392)	(399,371)
Net carrying amount	1,295,462	81,341	12,674	1,389,477

The Group's land and buildings with carrying amount of approximately HK\$683,419,000 (2021: 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 HK\$'000	Buildings HK\$'000	Total HK\$'000
At 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 and 1 April 2021	554,543	210,486	765,029
Additions	451,837	–	451,837
Depreciation expense	(25,171)	(32,325)	(57,496)
Modification of leases	–	(71,663)	(71,663)
Exchange differences	25,806	6,376	32,182
As at 31 March 2022	1,007,015	112,874	1,119,889

The Group's right-of-use assets in respect of leasehold land with carrying amount of approximately HK\$557,043,000 (2021: HK\$554,543,000) were pledged to secure certain bank loans granted to the Group.

(ii) Lease liabilities

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
As at 1 April	390,546	384,384
New leases	–	59,346
Interest expense	28,806	25,666
Lease payment	(49,369)	(62,311)
Interest payment	(28,806)	(25,666)
Modification of leases	37,514	(22,317)
Exchange differences	14,310	31,444
	<hr/>	<hr/>
As at 31 March	393,001	390,546
	<hr/>	<hr/>
Classified under:		
Non-current portion	358,121	340,792
Current portion	34,880	49,754
	<hr/>	<hr/>
	393,001	390,546
	<hr/>	<hr/>

13. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At cost:		
At beginning of the year	809,066	746,931
Exchange differences	<u>27,509</u>	<u>62,135</u>
At end of the year	<u>836,575</u>	<u>809,066</u>
Accumulated impairment:		
At beginning of the year	(423,409)	(365,953)
Impairment loss recognised	(65,904)	(26,136)
Exchange differences	<u>(14,040)</u>	<u>(31,320)</u>
At end of the year	<u>(503,353)</u>	<u>(423,409)</u>
Net carrying amount	<u><u>333,222</u></u>	<u><u>385,657</u></u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auto dealership	224,920	216,886
Property management services	<u>108,302</u>	<u>168,771</u>
	<u><u>333,222</u></u>	<u><u>385,657</u></u>

14. OTHER INTANGIBLE ASSETS

	Trademark HK\$'000	Film rights HK\$'000	Customers' list from property management contracts HK\$'000	Total HK\$'000
At 1 April 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)
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
Year ended 31 March 2022				
Opening net carrying amount	–	150,745	114,277	265,022
Amortisation	–	–	(10,350)	(10,350)
Exchange adjustment	–	5,584	3,445	9,029
Impairment	–	–	(8,732)	(8,732)
Written off	–	–	(44,638)	(44,638)
Closing net carrying amount	–	156,329	54,002	210,331
At 31 March 2022				
Gross carrying amount	–	185,185	78,000	263,185
Accumulated amortisation and impairment	–	(28,856)	(23,998)	(52,854)
Net carrying amount	–	156,329	54,002	210,331

During the year ended 31 March 2022, a total amount of HK\$44,638,000 of customers' list from a property management contract was written off due to the change of properties ownership which leading the property management contracts became unexecutable.

There is a change in properties ownership of one of the sub-lease projects, which leads to an uncertainty in renewing the property management contracts and may be unexecutable. The impairment losses of approximately HK\$8,732,000 have been recognised against the carrying amount of the customers' list from property management contracts.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Listed equity securities, at fair value, classified as financial assets at FVTOCI	<u>319,766</u>	<u>520,088</u>

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 2021 and 2022. 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:

	2022 HK\$'000	2021 <i>HK\$'000</i>
0 – 30 days	19,183	15,976
31 – 120 days	<u>8,640</u>	<u>2,513</u>
	<u>27,823</u>	<u>18,489</u>

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

17. INVESTMENT IN FILMS AND TELEVISION PROGRAM

	2022 HK\$'000	2021 <i>HK\$'000</i>
Investment in films, at fair value through profit or loss (“FVTPL”)	31,830	30,346
Investment in television program, at FVTPL	<u>31,907</u>	<u>34,677</u>
	<u>63,737</u>	<u>65,023</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	7,838	31
31 – 60 days	134,379	26,645
61 – 90 days	–	–
Over 90 days	<u>632</u>	<u>1,630</u>
	<u>142,849</u>	<u>28,306</u>

19. DIVIDEND

No dividend was paid, declared or proposed by the Company in respect of the years ended 31 March 2021 and 2022.

CHAIRMAN'S STATEMENT

The People's Republic of China ("**Mainland China**" or "**China**" or "**PRC**") has set an economic growth target of 5.5% for 2022, announced by Premier Li Keqiang at the opening ceremony of the National People's Congress of the PRC ("**NPC**") in March 2022. The target represents a medium-to-high-speed of growth on a high base, showing that China has been putting stable growth in a more prominent position. Considering 2021, the economy grew by 8.1%, which exceeded the Chinese Government's target of 6% set at the NPC last year. 2021 economic growth fully reflected that the various policies centering around "Domestic Circulation" for industrial revitalization successfully promoted the overall economic development even under the strict COVID-19 prevention and control measures imposed by Chinese Government.

During the financial year under review, the Group's revenue decreased from approximately HK\$4,525.8 million to approximately HK\$4,324.5 million. Gross profit for the financial year under review increased from approximately HK\$691.8 million last year to approximately HK\$856.4 million this year. The auto dealership business remained as our major income driver, accounting for approximately 87.9% of our total revenue. Net profit attributable to owners reached approximately HK\$34.1 million in this financial year as compared with a net profit attributable to owners of approximately HK\$37.5 million in the last financial year.

China's Luxury Goods and Automobiles Markets

A number of updates and research reports from reputable authorities, investment banks and global research institutions indicated that China's luxury goods market has achieved steady growth among challenges and uncertainties. According to the report named "A Year of Contrasts for China's Growing Personal Luxury Market" released by Bain & Company on 20 January 2022, despite mounting global social and economic challenges, China's domestic sale of personal luxury goods (excluding Hong Kong, Macau and Taiwan) is expected to grow by 36% to approximately RMB471 billion in 2021, following its increase of 48% in 2020. From a global perspective, the contribution of China's market to the global luxury market has increased from approximately 20% in 2020 to approximately 21% in 2021. The report anticipated that the growth momentum will be sustained and China will become the largest luxury goods market in the world by 2025 regardless of the progress of international travel recovery in future.

According to the research report named “Why Demand for Luxury Items in Mainland China Should Remain Robust” by HSBC Global Research, although China’s luxury goods market has been facing certain integrated risks, operational difficulties, and short-term headwinds, considering the favourable growth from 2022 onwards, the research institution remains positive on the development of China’s luxury goods market in 2022 and its long-term prospect. The fourth China Deluxe survey published by HSBC Global Research also showed that Chinese citizens have high willingness to spend on luxury items and forecasted that the global luxury goods industry will achieve remarkable revenue growth in 2022, among which, the profit margins of top-tier brands are expected to peak.

According to the Executive Meeting of the State Council of the PRC chaired by Chinese Premier Li Keqiang on 13 April 2022, with the purpose of promoting consumption to boost economy, the Chinese Government encourages consumption in key areas including automobiles and home appliances. Meanwhile, no new restrictive measure on automobile purchase is allowed. For the restrictions on purchase already in place, local governments should increase the quota of new licence plate gradually. Statistics from the China Passenger Car Association showed that a total of approximately 2.65 million luxury vehicles were sold in China in 2021, representing an increase of 4.9% from 2020 and accounting for 13% of total passenger vehicles. This marked the fourth consecutive year of steady growth in vigorous demand for luxury brands. Moreover, China’s auto market sales in 2021 recorded its first rebound and resumed growth since 2018.

According to “China’s Luxury Car Market Research Report 2021” published by Ocean Insights, the brand under Beijing Ocean Engine Internet Technology Co., Ltd which provided industry-leading insights on consumption trends, it stated that with the increasing residents’ income and continuous in-depth consumption upgrades, the main growth driver of China’s economy will shift from Chinese Government and corporate investments to residents’ consumption going forward. The demand for China’s luxury car market will remain robust and the market will move towards high-quality development. In the future, with the development of domestic economy and the increasing household income level, the market size of China’s luxury automobile has ample room for growth and the corresponding demand will continue to grow. The report predicted that proportion of China’s luxury automobile sales to total China’s automobile sales will exceed 20% by 2030.

The Group believes that with the stable China's macro economy, the steady improvement of the consumption power in middle-tier markets, and the digitalization and upgrade of various industries will further empower the high-quality development of retail consumption. The luxury goods market is expected to maintain a favourable growth momentum. We will strive to enhance our marketing capabilities, optimize luxury products portfolio, and explore new opportunities from time to time to further promote the long-term and stable development of the Group.

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 6.8% decrease to approximately HK\$3,800 million, as compared with that of approximately HK\$4,076 million in the previous financial year. Rolls-Royce recorded sales growth while Bentley and Lamborghini both recorded sales decline. Rolls-Royce 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\$1,634 million, representing an approximately 5.2% rise as compared with that of approximately HK\$1,553 million recorded in the previous financial year. 225 units of Rolls-Royce were sold, representing a decrease of approximately 3.4% as compared with 233 units sold in the previous financial year. Among all models of Rolls-Royce sold during this financial year, Cullinan performed the best in terms of revenue and gross profit contribution.

According to an article from Rolls-Royce Motor Cars PressClub titled "Rolls-Royce Motor Cars Reports Record Annual Results For 2021", it mentioned that in 2021, Rolls-Royce Motor Cars delivered the highest-ever annual sales results in the marque's 117-year history. The company delivered 5,586 motor cars to clients around the world, up 49% on the same period in 2020. This overall figure included all-time record sales in most regions, including Greater China, the Americas and Asia-Pacific, and in multiple countries across the globe.

Bentley recorded an approximately 14.9% decrease in sales to approximately HK\$1,706 million during this financial year, as compared with that of approximately HK\$2,005 million in the previous financial year. 442 units of Bentley were sold, representing a drop of 24.6% as compared with 586 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 contributions.

Lamborghini recorded an approximately 16.3% decrease in sales to approximately HK\$369 million during this financial year, as compared with that of approximately HK\$441 million in the previous financial year. 93 units of Lamborghini were sold, representing a drop of 28.5% as compared with 130 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 contributions.

The overall gross profit of sale of automobiles increased by approximately 40% during this financial year due to the increase in average selling price of all of our three auto brands and hence their gross profit margin.

Revenue of after-sales services recorded an increase of approximately 16.6% during this financial year as compared with that of the previous financial year. The gross profit margin decreased from approximately 38.4% in the previous financial year to approximately 33.4% in this financial year.

Non-auto Dealerships

During the financial year under review, the sales of our non-auto dealerships division recorded an increase in revenue of approximately 32.2% to approximately HK\$437.5 million as compared with that of approximately HK\$331.0 million in the previous financial year.

Gross profit margin of our non-auto dealerships division decreased during this financial year from approximately 33.5% in the previous financial year to approximately 30.3% in this financial year. The decline was mainly driven by a decrease in gross profit margin of the sales of audio equipment.

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

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

Others

During the financial year under review, the revenue from our others division, which include the provision of property management services, films and television program investments and money lending business, recorded a decrease of approximate 26.7% to approximately HK\$86.8 million, as compared with approximately HK\$118.4 million in the previous financial year. The decrease was mainly due to decrease of revenue in the property management business.

Regarding the property management business, the revenue recorded a decrease of approximately 31.2% to approximately HK\$81.2 million, as compared with approximately HK\$118.1 million in the previous financial year. The decrease was due to decrease in the property management fee income and sub-lease income during this financial year.

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

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, the Target Group (as defined in the Company's announcement dated 29 October 2018) did not reach any profit target and therefore no Earn-out Adjustment was triggered during the three years ended 31 December 2021. The period for the Earn-out Adjustments has expired on 31 December 2021. Furthermore, all the Consideration Shares (as defined in the Company's announcement dated 29 October 2018) have been released from the lock-up restriction in March 2022.

Regarding the money lending business, the revenue recorded approximately HK\$5.7 million accrued interest income during this financial year (2021: HK\$0.3 million). There were 2 loan agreements where the borrowers failed to repay the outstanding principal amounts and the accrued interests on the maturity dates respectively. The Company has commenced legal actions against the borrowers and the guarantors of the loans in the High Court of Hong Kong with a view to recovering the loans and other loss and damages. For the details, please refer to the announcements of the Company dated 1 April 2022 and 29 April 2022.

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. Bang & Olufsen is a luxury audio brand founded in 1925 in Struer, Denmark, by Peter Bang and Svend Olufsen whose devotion and vision remain the foundation for the company.

As at 31 March 2022, the Group held 14,059,347 shares (31 March 2021: 14,059,347 shares) of B&O, representing approximately 11.45% of its total issued shares. The carrying amount of this investment represented approximately 6.8% of the total assets of the Group as at 31 March 2022.

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\$320 million as at 31 March 2022 (31 March 2021: HK\$520 million) represented the Group’s strategic investment on B&O. The decrease in carrying amount of the Group’s financial assets at FVTOCI during this financial year under review was mainly due to fair value change on the market price of the shares of B&O.

The share price of B&O dropped to Danish Krone (“**DKK**”) 19.35 per share as at 31 March 2022 (31 March 2021: DKK30.22 per share) as quoted on the NASDAQ Copenhagen A/S, representing a decrease of approximately 36.0% during the financial year ended 31 March 2022.

RECENT DEVELOPMENT AND PROSPECT

With the development of the epidemic and related prevention and control measures, as well as the downward pressure on China's economy, the Group has been facing certain challenges in sales of automobiles. Despite the significant increase of the profitability of the Group's luxury car sales during the current financial period, the recovery of parallel imports of luxury cars will put modest pressures on the sales quantity and the profitability of the automobile segment of the Group in the upcoming years.

Regarding the Group's non-auto dealerships segment, as the demand for fast-moving consumer electronics remains strong, the audio business is relatively robust. We are cautiously optimistic towards the development of sales of B&O products. It is also expected that the home articles business will maintain the growth momentum, while the inventories of watches, jewelries and fine wines will further be destocked. For the liquor business, in light of the Group's new co-operation with a leading liquor manufacturer in this financial year, the Group will proactively promote our own branded liquor – “國釀•耀萊醇釀” and expects that it will bring positive impact to the Group's revenue in the near future.

Regarding the other business segments, the property management business is still facing challenges under the COVID-19 pandemic and the unfavorable property market factors in China. As far as the money lending business is concerned, the Group has no expansion plans in the next financial year especially taking into accounts the on-going legal proceedings as mentioned in the section headed in “Management Discussion and Analysis” in this announcement. For the film investment business, the Group have a number of films in the process of being arranged to release and currently has no new investment plans in this segment.

In conclusion, even though the upcoming financial year may be a year of challenges, we will proactively embrace challenges and 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 2022 was approximately HK\$4,324.5 million, representing a decrease of approximately 4.4% as compared with that of approximately HK\$4,525.8 million recorded in the previous year. Such decrease was mainly due to the decrease in sales of automobiles. The table below sets out the Group's revenue for the year indicated:

Revenue Source	FY2022		FY2021		Changes	
	HK\$'000	Contribution (%)	HK\$'000	Contribution (%)	HK\$'000	%
Automobile segment						
Sales of automobiles	3,709,351	85.8%	3,998,437	88.4%	(289,086)	(7.2%)
Provision of after-sales services	<u>90,843</u>	<u>2.1%</u>	<u>77,885</u>	<u>1.7%</u>	<u>12,958</u>	<u>16.6%</u>
Sub-total	3,800,194	87.9%	4,076,322	90.1%	(276,128)	(6.8%)
Non-automobile dealership segment	437,458	10.1%	331,020	7.3%	106,438	32.2%
Others	<u>86,835</u>	<u>2%</u>	<u>118,420</u>	<u>2.6%</u>	<u>(31,585)</u>	<u>(26.7%)</u>
Total	<u>4,324,487</u>	100%	<u>4,525,762</u>	100%	<u>(201,275)</u>	(4.4%)

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year ended 31 March 2022 increased by approximately 23.8% to approximately HK\$856.4 million (31 March 2021: approximately HK\$691.8 million) while the gross profit margin of the Group for the year ended 31 March 2022 increased from 15.3% to 19.8%.

The increase in gross profit was mainly attributable to increase in gross profit margin of the sales of automobiles. The gross profit of the sales of automobiles increased by approximately HK\$174.2 million during the financial year under review.

Other Income, Gains and Losses

Other income, gains and losses was approximately HK\$131.6 million losses for the year ended 31 March 2022 (31 March 2021: approximately HK\$51.2 million losses). Such change was mainly due to increase in fair value loss on investment properties, write off of other intangible assets and impairment of goodwill on property management business.

Impairment of Loan Receivables and Loan Interest Receivables

The impairment of loan receivables and loan interest receivables was approximately HK\$56.4 million for the year ended 31 March 2022 (31 March 2021: nil).

The impairment was arisen from two borrowers who failed to repay the outstanding principal amounts and the accrued interests at the maturity dates of the two loan agreements under the money lending business. The Company has commenced legal actions against the borrowers and the guarantors of the loans by Writ of Summons filed in the High Court of Hong Kong with a view to recovering the loans and other loss and damages.

The impairment amount was calculated with reference to the expected credit loss assessment performed by an independent qualified valuer, by considering the probability of default with published credit ratings.

Selling and Distribution Costs

The selling and distribution costs increased by approximately 8% from HK\$467.2 million to HK\$504.5 million. The increase was mainly due to the increase in marketing and promotion expenses and employee benefit expenses.

Administrative Expenses

The administrative expenses increased by approximately 6.5% from HK\$76.7 million to HK\$81.7 million. Such increase was mainly due to increase in lease payment under short term leases and employee benefit expenses.

Finance Costs

The finance costs of the Group increased by approximately 12.6% from approximately HK\$64.5 million in the previous financial year to approximately HK\$72.6 million in this financial year. The increase was due to the increase in borrowing for purchase of automobiles inventories and increase in interest expenses on lease liabilities in this financial year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2022 were approximately HK\$4,727.7 million (31 March 2021: approximately HK\$4,086.2 million) which were mainly financed by the total equity and the total liabilities of approximately HK\$2,725.3 million (31 March 2021: approximately HK\$2,659.3 million) and HK\$2,002.4 million (31 March 2021: approximately HK\$1,426.9 million) respectively.

Cash Flow

The Group's cash at banks and in hand as of 31 March 2022 were approximately HK\$151.5 million (31 March 2021: approximately HK\$246.5 million) which were mainly denominated in Hong Kong dollars (“**HK\$**”) and Renminbi (“**RMB**”).

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

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

Property, Plant and Equipment

The Group's property, plant and equipment as at 31 March 2022 were approximately HK\$1,389.5 million (31 March 2021: HK\$1,021.3 million). During the year, the Group acquired items of property, plant and equipment at a total cost of approximately HK\$499.2 million (31 March 2021: approximately HK\$104.0 million), and a net carrying amount of approximately HK\$10.0 million of property, plant and equipment were disposed of during this financial year (the net carrying amount for the year ended 31 March 2021: approximately HK\$4.5 million).

Investment Properties

The Group's investment properties as at 31 March 2022 were approximately HK\$437.4 million (31 March 2021: HK\$379.9 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 year under review.

Goodwill

The Group's goodwill as at 31 March 2022 was approximately HK\$333.2 million (31 March 2021: HK\$385.7 million). The decrease in goodwill was mainly due to the impairment of goodwill on property management business incurred during this financial year, arising from increase in rental cost of one of the sub-lease projects, one of the sub-lease projects expired in March 2022 not renewable after its expiration and decrease in property management services income.

Other Intangible Assets

The Group's other intangible assets as at 31 March 2022 were approximately HK\$210.3 million (31 March 2021: HK\$265.0 million). The change in value of other intangible assets was mainly due to the write-off of customers' list from a property management contract. The properties ownership being under one of the property management contracts had been changed and therefore such management contract became unexecutable.

Loan Receivables

The Group's loan receivables as at 31 March 2022 were approximately HK\$34.4 million (31 March 2021: HK\$90.0 million). The decrease in value was attributable to the impairment arising from the loans default.

Borrowings

The Group's borrowings as at 31 March 2022 were approximately HK\$1,064.7 million, representing an increase of approximately 136.7% from approximately HK\$449.9 million as at 31 March 2021.

The Group's borrowings were mainly denominated in RMB. The increase was mainly due to purchase of automobiles inventories during this financial year.

Gearing Ratio

The Group's gearing ratio computed as total borrowings and convertible bonds over total equity increased to approximately 39.4% as at 31 March 2022 (31 March 2021: approximately 17.2%).

Inventories

As at 31 March 2022, the Group's inventories increased by approximately 95.5% from approximately HK\$696.2 million as at 31 March 2021 to approximately HK\$1,361.2 million. Such increase was primarily due to the increase in automobile inventories which comprised approximately 56.2% of the inventories of the Group.

The Group's average inventory turnover days increased from 77 days in the year ended 31 March 2021 to 109 days in the year ended 31 March 2022.

Exposure to Foreign Exchange Risk

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

The Group did not enter into any foreign currency forward contract for this financial year. As at 31 March 2022 and 2021, 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 2022 (31 March 2021: nil). The Board considered that the Group had no material capital commitment as at 31 March 2022 in respect of acquisition of property, plant and equipment (31 March 2021: nil).

Charges on Assets

As at 31 March 2022, land and building, deposits and inventories of the Group with aggregate carrying amounts of approximately HK\$683.4 million (31 March 2021: approximately HK\$693.8 million), approximately HK\$84.1 million (31 March 2021: approximately HK\$200.5 million) and approximately HK\$635.1 million (31 March 2021: approximately HK\$47.4 million) respectively were pledged to secure general banking facilities and other facilities granted to the Group.

Human Resources

As at 31 March 2022, the Group had 453 (31 March 2021: 438) employees. Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK\$70.2 million for this financial year (2021: approximately HK\$62.2 million).

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

Supplemental Lease Agreement

By virtue of a lease agreement dated 23 August 2010, as supplemented by three supplemental agreements dated 19 January 2011, 21 June 2011 and 17 January 2019, 洋浦權天商業品牌網絡服務股份有限公司 (Yang Pu Quan Tian Commercial Brand Network Services Shares Limited*), an indirectly wholly-owned subsidiary of the Company, leased the premises located at 中國北京市朝陽區星火西路17號樓、19號樓 (Building 17 and Building 19, Xinghuo West Road, Chaoyang District, Beijing, the PRC*) from 北京市朝陽區東風鄉農工商公司 (Beijing Chaoyang District Dongfeng Township Agriculture, Industry and Commerce Company*) and 北京市朝陽區東風鄉人民政府 (the People's Government of Dongfeng Township of Chaoyang District in Beijing, the PRC*) ("**The Lessors**") at the original rent. The Lessors requested to increase the original rent with effect from 5 June 2021 and the parties entered into the supplemental lease agreement on 26 October 2021. For details, please refer to the announcement of the Company dated 26 November 2021.

Significant Acquisition

On 8 December 2021, an equity transfer agreement was entered into between 北京光中裝飾工程有限公司 (Beijing Guangzhong Decoration Engineering Co., Ltd.*), an independent third party, being the vendor (the “**Vendor**”) and 必歐在線文化科技有限公司 (BO Online Culture Technology Limited*), an indirect wholly-owned subsidiary of the Company, being the purchaser (the “**Purchaser**”), pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell 70.4% of the entire equity interest in the 天津文福新天地置業有限公司 (Tianjin Wenfu Xin Tian Di Real Estate Co., Ltd.*) at a consideration of RMB220.0 million. Tianjin Wenfu Xin Tian Di Real Estate Co., Ltd. is an investment holding company and its principal assets are the properties located at 中國北京市朝陽區幸福二村40號樓首開幸福廣場B座-1, 1, 2, 3及7層 (Basement Level 1, Levels 1, 2, 3 and 7 of Tower B, International Wonderland, 40 Xing Fu Er Chun, Chaoyang District, Beijing, the PRC*). For details, please refer to the announcements of the Company dated 8 and 9 December 2021. The acquisition was completed on 10 December 2021.

The Borrowers’ Default of Loan Agreements

The loan agreement in respect of a facility of HK\$58.0 million

On 4 March 2021, Forwell Finance Limited (the “**Lender**”), an indirect wholly-owned subsidiary of the Company, entered into a loan agreement (the “**1st Loan Agreement**”) with a borrower (the “**1st Borrower**”), pursuant to which the Lender agreed to grant to the 1st Borrower a loan with principal amount of HK\$58.0 million (the “**1st Loan**”) for a term of 12 months, bearing interest at a rate of 6.5% per annum.

Pursuant to the 1st Loan Agreement, the 1st Borrower had been paying the quarterly interests on the 1st Loan to the Lender on time during the term of the 1st Loan Agreement. The 1st Borrower, however, failed to repay the 1st Loan with outstanding principal amount of HK\$58.0 million and the accrued interest on the maturity date on 4 March 2022 and still fails to do so up to the date of this announcement.

The Group sought legal advice and commenced legal action against the 1st Borrower and the guarantor of the 1st Loan in the High Court of Hong Kong on 20 April 2022 with a view to recovering the 1st Loan and other loss and damages. For details, please refer to the announcements of the Company dated 4 March 2021, 1 April 2022 and 29 April 2022.

The loan agreement in respect of a facility of HK\$32.0 million

On 22 March 2021, the Lender entered into a loan agreement (the “**2nd Loan Agreement**”) with another borrower (the “**2nd Borrower**”), pursuant to which the Lender agreed to grant to the 2nd Borrower loan with principal amount of HK\$32.0 million (the “**2nd Loan**”) for a term of 12 months, bearing interest at a rate of 7% per annum.

Pursuant to the 2nd Loan Agreement, the 2nd Borrower had been paying the quarterly interests on the 2nd Loan to the Lender on time during the term of the 2nd Loan Agreement. The 2nd Borrower, however, failed to repay the 2nd Loan with outstanding principal amount of HK\$32.0 million and the accrued interest on the maturity date on 22 March 2022 and still fails to do so up to the date of this announcement.

The Group sought legal advice and commenced legal action against the 2nd Borrower and the guarantor of the 2nd Loan in the High Court of Hong Kong on 29 April 2022 with a view to recovering the 2nd Loan and other loss and damages. For details, please refer to the announcements of the Company dated 22 March 2021 and 29 April 2022.

Litigation

Receipt of writ of summons and dismissal of the unmeritorious legal proceedings

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

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

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2022 (31 March 2021: nil) while no interim dividend (2021: 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 2022, the Group has adopted the principles and code provisions in the Corporate Governance Code (the “**Code**”) contained in Appendix 14 to the Listing Rules. The Company has been in compliance with the Code throughout the year ended 31 March 2022 except for the deviation from provision C.2.1 of the Code since 1 January 2018.

According to provision C.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.

In addition, the Audit Committee of the Company (the “**Audit Committee**”), 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 27 September 2022 at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong and a notice of annual general meeting will be published and despatched in due course.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 15 August 2022, the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited (the “**Branch Share Registrar**”), will change its address from Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong to

**17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong**

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 September 2022 (Thursday) to 27 September 2022 (Tuesday) (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 (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on 21 September 2022 (Wednesday).

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the consolidated financial statements and annual results announcement of the Company for the year ended 31 March 2022 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 2022 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 2022, 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 2022 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 of the Company at www.hk970.com.

The annual report of the Company for the year ended 31 March 2022 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 of the Company in due course.

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

Hong Kong, 30 June 2022

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

* *For identification purpose only*