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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 970)**

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

**INTERIM RESULTS**

The board of directors (the “**Board**”) of New Sparkle Roll International Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 September 2022 together with the comparative figures for the corresponding period in 2021 as follows:

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		Six months ended 30 September	
		2022	2021
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
<b>Revenue</b>	5	2,123,602	2,460,817
Cost of sales		<u>(1,786,369)</u>	<u>(2,039,603)</u>
<b>Gross profit</b>		337,233	421,214
Other income, gains and losses	5	(11,808)	(87,606)
Impairment of loan receivables and loan interest receivables		(7,665)	–
Selling and distribution costs		(221,579)	(238,757)
Administrative expenses		<u>(46,703)</u>	<u>(44,350)</u>
<b>Operating profit</b>	6	49,478	50,501
Finance costs	7	<u>(48,715)</u>	<u>(32,503)</u>
<b>Profit before income tax</b>		763	17,998
Income tax	8	<u>2,721</u>	<u>18,883</u>
<b>Profit for the period</b>		<u>3,484</u>	<u>36,881</u>
<b>Other comprehensive income, net of tax</b>			
<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 period		(187,040)	(3,739)

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	<b>2021</b>
<i>Note</i>		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<u>(239,323)</u>	<u>23,918</u>
Other comprehensive income for the period, net of tax		<u>(426,363)</u>	<u>20,179</u>
<b>Total comprehensive income for the period</b>		<b><u>(422,879)</u></b>	<b><u>57,060</u></b>
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>6,934</b>	<b>37,989</b>
Non-controlling interests		<u><b>(3,450)</b></u>	<u><b>(1,108)</b></u>
		<b><u>3,484</u></b>	<b><u>36,881</u></b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>(401,993)</b>	<b>58,126</b>
Non-controlling interests		<u><b>(20,886)</b></u>	<u><b>(1,066)</b></u>
		<b><u>(422,879)</u></b>	<b><u>57,060</u></b>
<b>Earnings per share attributable to owners of the Company during the period</b>			
Basic	<i>10</i>	<b><u>HK0.1 cent</u></b>	<b><u>HK0.7 cent</u></b>
Diluted	<i>10</i>	<b><u>HK0.1 cent</u></b>	<b><u>HK0.7 cent</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		30 September 2022	31 March 2022
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11(a)	1,187,376	1,389,477
Investment properties	11(b)	411,677	437,425
Goodwill	12	296,604	333,222
Other intangible assets		184,298	210,331
Financial assets at fair value through other comprehensive income	13	132,726	319,766
Prepayment for property, plant and equipment		3,054	3,431
		<u>2,215,735</u>	<u>2,693,652</u>
<b>Current assets</b>			
Inventories		1,226,659	1,361,173
Trade receivables	15(a)	37,136	27,823
Loan receivables	15(b)	18,415	34,471
Deposits, prepayments and other receivables		273,964	270,889
Amounts due from non-controlling interests	14	13,901	40,309
Investment in films and television program		53,557	63,737
Pledged deposits		59,060	84,111
Cash at banks and in hand		164,928	151,519
		<u>1,847,620</u>	<u>2,034,032</u>
<b>Current liabilities</b>			
Trade payables	16	85,284	142,849
Contract liabilities		161,131	195,632
Receipts in advance, accrued charges and other payables		186,488	127,392
Amounts due to non-controlling interests	14	8,818	11,420
Provision for taxation		249	5,166
Borrowings	17	607,231	842,469
Lease liabilities		35,478	34,880
		<u>1,084,679</u>	<u>1,359,808</u>

	30 September 2022	31 March 2022
<i>Note</i>	<b><i>HK\$'000</i></b> (Unaudited)	<b><i>HK\$'000</i></b> (Audited)
<b>Net current assets</b>	<b>762,941</b>	674,224
<b>Total assets less current liabilities</b>	<b>2,978,676</b>	3,367,876
<b>Non-current liabilities</b>		
Borrowings	17 330,220	222,222
Convertible bonds	9,070	8,745
Deferred tax liabilities	43,623	53,465
Lease liabilities	311,204	358,121
	<b>694,117</b>	642,553
<b>NET ASSETS</b>	<b>2,284,559</b>	2,725,323
<b>EQUITY</b>		
Share capital	10,944	10,944
Reserves	2,159,439	2,551,528
<b>Equity attributable to owners to the Company</b>	<b>2,170,383</b>	2,562,472
Non-controlling interests	114,176	162,851
<b>TOTAL EQUITY</b>	<b>2,284,559</b>	2,725,323

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2022*

## 1. GENERAL

New Sparkle Roll International Group Limited (the “**Company**”) is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is in Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The principal activities of the Company and its subsidiaries (together the “**Group**”) are dealerships of luxury goods and automobiles, provision of after-sales services, provision of property management services, provision of property rental services and film related business including development and investment in films and television program and money lending business. The Group’s operations are mainly based in Hong Kong and the People’s Republic of China (“**PRC**”, “**Mainland China**” or “**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

These interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 30 November 2022.

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This announcement contains the interim condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim condensed consolidated financial statements have not been audited or reviewed by the external auditors of the Company but have been reviewed by the Company’s audit committee.

### **3. CHANGES IN ACCOUNTING POLICIES**

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

- Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract
- Annual Improvements to HKFRS Standards 2018-2020 (Amendments to HKFRS 9 and HKFRS 16); and
- References to Conceptual Framework (Amendments to HKFRS 3 (Revised)).

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

#### **Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use**

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

**Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract**

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 April 2022, and has concluded that none of them is onerous.

**Annual Improvements to HKFRS Standards 2018-2020 (Amendments to HKFRS 9 and HKFRS 16)**

HKFRS 9 Financial Instruments – clarifies which fees should be included in the “10 per cent” test for derecognition of financial liabilities.

HKFRS 16 Leases – amendment to remove illustration of payments from lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

**References to Conceptual Framework (Amendments to HKFRS 3 (Revised))**

In June 2020, the HKICPA issued amendments to HKFRS 3 (Revised), which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

The new or amended HKFRSs that are effective from 1 April 2022 did not have any significant impact on the Group’s accounting policies.



#### **4. SEGMENT INFORMATION**

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

The executive Directors have identified the following reportable operating segments:

- (i) Auto dealership – this segment includes sales of branded automobiles, namely Bentley, Lamborghini and Rolls-Royce, and provision of related after-sales services.
- (ii) Non-auto dealership – this segment includes sales of branded watches, jewelleryes, fine wines, audio equipment, menswear apparels and accessories, cigars and smoker's accessories, silver articles, home articles and health care 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.

## Segment revenue and results

For the six months ended 30 September 2022

	Auto dealership <i>HK\$'000</i> (Unaudited)	Non-auto dealership <i>HK\$'000</i> (Unaudited)	Property management and others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	1,871,507	203,320	48,775	2,123,602
Other income, gains and losses	3,396	6,811	(25,820)	(15,613)
Reportable segment revenue	<u>1,874,903</u>	<u>210,131</u>	<u>22,955</u>	<u>2,107,989</u>
Reportable segment results	<u>130,010</u>	<u>(23,357)</u>	<u>(3,847)</u>	<u>102,806</u>

For the six months ended 30 September 2021

	Auto dealership <i>HK\$'000</i> (Unaudited)	Non-auto dealership <i>HK\$'000</i> (Unaudited)	Property management and others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from external customers	2,229,362	187,077	44,378	2,460,817
Other income, gains and losses	19,176	6,935	(116,720)	(90,609)
Reportable segment revenue	<u>2,248,538</u>	<u>194,012</u>	<u>(72,342)</u>	<u>2,370,208</u>
Reportable segment results	<u>230,245</u>	<u>(45,743)</u>	<u>(93,176)</u>	<u>91,326</u>

## Segment assets and liabilities

As at 30 September 2022

	Auto dealership <i>HK\$'000</i> (Unaudited)	Non-auto dealership <i>HK\$'000</i> (Unaudited)	Property management and others <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
<b>Reportable segment assets</b>	<b>2,014,153</b>	<b>736,442</b>	<b>838,031</b>	<b>3,588,626</b>
Financial assets at fair value through other comprehensive income ("FVTOCI")				132,726
Deposits, prepayments and other receivables				21,755
Cash at banks and in hand				15,825
Other corporate assets:				
– financial assets				2,912
– non-financial assets				<u>301,511</u>
<b>Consolidated total assets</b>				<b><u><u>4,063,355</u></u></b>
Additions to non-current segment assets during the period	19,374	13,882	–	33,256
Unallocated				<u>31</u>
				<b><u><u>33,287</u></u></b>
<b>Reportable segment liabilities</b>	<b>365,506</b>	<b>119,611</b>	<b>278,942</b>	<b>764,059</b>
Borrowings				937,452
Other corporate liabilities:				
– financial liabilities				29,490
– non-financial liabilities				<u>47,795</u>
<b>Consolidated total liabilities</b>				<b><u><u>1,778,796</u></u></b>

As at 31 March 2022

	Auto dealership <i>HK\$'000</i> (Audited)	Non-auto dealership <i>HK\$'000</i> (Audited)	Property management and others <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
<b>Reportable segment assets</b>	2,303,059	746,564	908,027	3,957,650
Financial assets at FVTOCI				319,766
Deposits, prepayments and other receivables				26,784
Cash at banks and in hand				8,245
Other corporate assets:				
– financial assets				3,272
– non-financial assets				411,967
<b>Consolidated total assets</b>				<b>4,727,684</b>
Additions to non-current segment assets during the period	251,637	170	112,824	364,631
Unallocated				247,356
				<b>611,987</b>
<b>Reportable segment liabilities</b>	349,363	191,730	311,882	852,975
Borrowings				1,064,691
Other corporate liabilities:				
– financial liabilities				62,176
– non-financial liabilities				22,519
<b>Consolidated total liabilities</b>				<b>2,002,361</b>

A reconciliation between the total presented for the Group's operating segments and the Group's key financial figures as presented in these interim condensed consolidated financial statements is as follows:

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reportable segment results	102,806	91,326
Bank interest income	938	1,143
Unallocated corporate incomes	2,866	1,860
Unallocated corporate expenses	(57,132)	(43,828)
Finance costs	(48,715)	(32,503)
	<u>763</u>	<u>17,998</u>
Profit before income tax	<u>763</u>	<u>17,998</u>

## 5. REVENUE, OTHER INCOME, GAINS AND LOSSES

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
<b>Revenue from contracts with customers:</b>		
<i>Recognised at point in time</i>		
Sales of automobiles	1,825,070	2,184,361
Sales of other merchandised goods	203,320	187,077
<i>Recognised over time</i>		
Provision of after-sales services	46,437	45,001
Provision of property management services	–	1,023
<b>Total revenue from contracts with customers</b>	<b>2,074,827</b>	<b>2,417,462</b>
<b>Revenue from other sources:</b>		
Interest income from provision of money lending	1,703	3,005
Provision of property rental services	37,670	40,350
Income from investment in films	9,402	–
	<u>2,123,602</u>	<u>2,460,817</u>

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b><i>Other income, gains and losses</i></b>		
Bank interest income	938	1,143
Gain on disposals of property, plant and equipment	112	2,422
(Loss)/gain on sales of pre-owned cars	(764)	2,270
Government grants		
– Employment Support Scheme ( <i>Note</i> )	302	–
Impairment of goodwill	–	(35,772)
Impairment of other intangible assets	–	(8,627)
Income from advertising, exhibitions and other services	8,825	18,805
Income from insurance brokerage	1,415	2,047
Change in fair value of investment properties	(22,545)	(27,374)
Change in fair value of investment in films and television program	(3,361)	(847)
Written off of other intangible assets	–	(44,100)
Exchange differences, net	(179)	90
Others	3,449	2,337
	<u>(11,808)</u>	<u>(87,606)</u>

*Note:*

The amount represents salaries and wage subsidies granted under Anti-epidemic Fund by the Government of the Hong Kong Special Administrative Region.

## 6. OPERATING PROFIT

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

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of other intangible assets	3,089	7,042
Cost of inventories recognised as expense	1,780,826	2,034,042
Depreciation of property, plant and equipment	39,173	47,165
Exchange differences, net	179	(90)
Government grants		
– Employment Support Scheme	(302)	–
Interest on lease liabilities	12,631	11,749
Impairment of loan receivables and loan interest receivables ( <i>Note</i> )	7,665	–
Impairment of goodwill	–	35,772
Impairment of other intangible assets	–	8,627
Lease payments not included in the measurement of lease liabilities	2,881	869
Gain on disposal of property, plant and equipment	(112)	(2,422)
Written off of other intangible assets	–	44,100
Employee costs, including directors' emoluments	26,437	22,967
Equity-settled share-based payment expenses	9,904	–
Contributions to retirement benefits scheme	6,254	4,426
	<u>42,595</u>	<u>27,393</u>
Employee benefit expenses	<u>42,595</u>	<u>27,393</u>

*Note:* An impairment analysis was undertaken with reference to the expected credit loss assessment performed by Masterpiece Valuation Advisory Limited (“**Masterpiece**”), an independent qualified valuer, using probability-weighted loss default model and by considering the probability of default with respective credit ratings.

As at 30 September 2022, the probability of default applied was 100% and the loss given default was estimated to be ranged from 61.86% to 100%.

## 7. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings	17,267	11,216
Interest on other loans	18,492	9,235
Interest on lease liabilities	12,631	11,749
Imputed interest on convertible bonds	325	303
	<u>48,715</u>	<u>32,503</u>

## 8. 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 six months ended 30 September 2021 and 2022.

The Group's subsidiaries in Mainland China are subject to income tax at the rate of 25% except that there is a subsidiary which was entitled to tax exemption for the six months ended 30 September 2021 and 2022.

	Six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong profits tax		
Charge for the period	–	–
– Income tax of other jurisdictions		
Charge for the period	1,454	789
Under-provision in prior years	113	239
Total current tax	1,567	1,028
Deferred tax	(4,288)	(19,911)
	<u>(2,721)</u>	<u>(18,883)</u>



## 9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2021 and 2022, nor has any dividend been proposed since the end of the reporting period.

## 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:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings</b>		
Earnings for the purposes of basic earnings per share	<b>6,934</b>	37,989
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible bonds	<u><b>325</b></u>	<u>303</u>
Earnings for the purposes of diluted earnings per share	<u><b>7,259</b></u>	<u>38,292</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>5,471,953,447</b>	5,471,953,447
Effect of dilutive potential ordinary shares:		
– Convertible bonds issued by the Company	<b>40,000,000</b>	40,000,000
– Share options granted by the Company	<u><b>2,947,028</b></u>	<u>–</u>
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	<u><b>5,514,900,475</b></u>	<u>5,511,953,447</u>

## **11. PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES**

### **(a) Property, plant and equipment**

During the six months ended 30 September 2022, the Group acquired items of property, plant and equipment at a total cost of HK\$33,287,000 (six months ended 30 September 2021: HK\$106,362,000). Items of property, plant and equipment with a net carrying amount of HK\$6,000 were disposed of during the six months ended 30 September 2022 (six months ended 30 September 2021: HK\$27,242,000).

During the period ended 30 September 2022, the use of certain land and building of the Group located in the PRC has been changed to long term leasing purpose, as evidenced by the signing of the lease agreement with the tenant for a term of 39 months on 28 September 2022. Accordingly, the carrying amount of the related land and building (after revaluation upon the transfer) under property, plant and equipment of HK\$43,595,000 respectively as at the date of transfer was transferred to investment properties of the Group.

### **(b) Investment properties**

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

No investment property was derecognised or disposed during the six months ended 30 September 2021 and 2022. The change in fair value of approximately HK\$22,545,000 (six months ended 30 September 2021: HK\$27,374,000) was recognised during the period.

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

The Group's investment properties were revalued on 31 March 2022 and 30 September 2022 by CHFT Advisory and Appraisal Limited ("CHFT"), an independent firm of professional surveyors, on an open market value basis.

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

Fair value is determined by applying the income approach, using the term and reversion method, based on the estimated rental value of the property. The valuation takes account of the current rents of the property interests, the reversionary potentials of the tenancies, term yield and reversionary yield, and reversionary yield is then applied respectively to derive the market value of property.

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

During the six months period ended 30 September 2022, there were no transfer into or out of Level 3 or any other Level. The Group's policy is to recognise transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

## 12. GOODWILL

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
At cost:		
At beginning of the period/year	836,575	809,066
Exchange differences	<u>(91,932)</u>	<u>27,509</u>
At end of the period/year	<u>744,643</u>	<u>836,575</u>
Accumulated impairment:		
At beginning of the period/year	(503,353)	(423,409)
Impairment loss recognised	–	(65,904)
Exchange differences	<u>55,314</u>	<u>(14,040)</u>
At end of the period/year	<u>(448,039)</u>	<u>(503,353)</u>
Net carrying amount	<u><b>296,604</b></u>	<u><b>333,222</b></u>
The carrying amount of goodwill allocated to each of the cash generated units is as follows:		
Auto dealership	200,203	224,920
Property management services	<u>96,401</u>	<u>108,302</u>
	<u><b>296,604</b></u>	<u><b>333,222</b></u>

For the purpose of the goodwill impairment test, the Directors determined the recoverable amounts of the cash-generating units (“CGUs”) from value-in-use calculations with reference to the business valuations performed by management and CHFT where applicable using the income approach, i.e. pre-tax cash flow projections from formally approved budgets covering a detailed five-year budget plan.

The Group’s management is not currently aware of any other possible changes that would necessitate changes in its key estimates in auto-dealership and property management services. The recoverable amount of the CGUs exceeded the respective carrying amount of those units, and therefore no impairment is required.

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 September 2022 <i>HK\$’000</i> (Unaudited)	As at 31 March 2022 <i>HK\$’000</i> (Audited)
Listed equity securities, at fair value	<u>132,726</u>	<u>319,766</u>

The balance represented the equity investment in Bang & Olufsen A/S whose shares are listed and traded on Nasdaq Copenhagen A/S. The fair value was based on quoted market price as at 30 September 2022 and 31 March 2022. The equity investment was irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

### 14. BALANCES WITH NON-CONTROLLING INTERESTS

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

### 15. TRADE RECEIVABLES AND LOAN RECEIVABLES

#### (a) Trade receivables

Trade receivables mainly represent rental receivable from tenants, and sales from customers. The Group’s trading terms with its retail customers are mainly receipts in advance from customers or cash on delivery, except for certain transactions with creditworthy customers where the credit period is extendable up to three months, whereas the trading terms with wholesale customers are generally one to two months. In addition, the Group generally provides a credit term of two to three months to automobile manufacturers for the in-warranty after-sale services. The Group seeks to maintain strict control over its outstanding trade receivables and has a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by the management.

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

	As at <b>30 September</b> <b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	As at 31 March 2022 <b>HK\$'000</b> <b>(Audited)</b>
0 – 30 days	<b>30,178</b>	19,183
31 – 120 days	<u><b>6,958</b></u>	<u>8,640</u>
	<u><b>37,136</b></u>	<u>27,823</u>

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

**(b) Loan receivables**

	As at <b>30 September</b> <b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	As at 31 March 2022 <b>HK\$'000</b> <b>(Audited)</b>
	<i>Notes</i>	
Loans to independent third parties:		
– Loan A	<i>(i)</i> <b>48,283</b>	57,943
– Loan B	<i>(ii)</i> <u><b>32,000</b></u>	<u>32,000</u>
	<u><b>80,283</b></u>	<u>89,943</u>
Accumulated impairment:		
At beginning of the period/year	<b>(55,472)</b>	–
Impairment loss recognised	<u><b>(6,396)</b></u>	<u>(55,472)</u>
At end of the period/year	<u><b>(61,868)</b></u>	<u>(55,472)</u>
	<u><b>18,415</b></u>	<u>34,471</u>

*Notes:*

- (i) The Group entered into the loan agreement on 4 March 2021 with a borrower which is an independent third party with a principal amount of HK\$58,000,000 for a term of 12 months, bearing interest at a rate of 6.5% per annum. The loan is secured by a charge over receivables of the borrower executed by the borrower; and a personal guarantee executed by the guarantor. Pursuant to the terms of the loan agreement, the borrower shall pay quarterly interests on the loan and shall fully repay the loan together with all outstanding accrued interest payable under the loan agreement to the lender on the maturity date (4 March 2022). The borrower had been paying the quarterly interests on the loan to the lender on time during the term of the loan agreement. However, the borrower failed to repay the loan with outstanding principal amount of HK\$57,943,000 and the accrued interest of HK\$929,000 on the maturity date. The Group sought legal advice and issued demand letters to the borrower and the guarantor and, on 20 April 2022, commenced legal action against the borrower and the guarantor by Writs of Summon filed in the High Court of Hong Kong with a view to recovering the loan and other loss and damages. The parties reached a settlement on the matter and pursuant to a Tomlin Order filed by the parties with the High Court of Hong Kong dated 8 August 2022, the parties agreed to stay the legal proceedings and a deed of settlement (the “**Settlement Deed**”) was executed by the Group, the borrower and the guarantor on 8 August 2022. In accordance with the Settlement Deed, the borrower shall repay the outstanding principal amount of the loan of HK\$57,943,000 by 6 monthly instalments commencing from 15 August 2022 and the last instalment due on 15 January 2023 (the first 5 instalments each of HK\$9,660,000 and the last instalment of HK\$9,642,500), and the borrower shall pay interest on the outstanding principal of the loan accrued up to 15th August 2022 in the sum of HK\$2,631,000 on or before 15 January 2023. During the six months ended 30 September 2022, the borrower settled the first instalment of HK\$9,660,000. Subsequent to the end of this interim financial period, the Group received full repayment of the second instalment of HK\$9,660,000. For details, please refer to the announcements of the Company dated 4 March 2021, 1 and 29 April 2022, 8, 18 and 24 August 2022 and 1 September 2022.

- (ii) The Group entered into the loan agreement on 22 March 2021 with a borrower who is an independent third party with a principal amount of HK\$32,000,000 for a term of 12 months, bearing interest at a rate of 7% per annum. The loan is secured by a personal guarantee executed by the guarantor. Pursuant to the terms of the loan agreement, the borrower shall pay quarterly interests on the loan and shall fully repay the loan together with all outstanding accrued interest payable under the loan agreement to the lender on the maturity date (22 March 2022). The borrower had been paying the quarterly interests on the loan to the lender on time during the term of the loan agreement. However, the borrower failed to repay the loan with outstanding principal amount of HK\$32,000,000 and the accrued interest of HK\$560,000 on the maturity date and still fails to do so up to the date of this announcement. The Group sought legal advice and issued demand letters to the borrower and the guarantor and on 29 April 2022 commenced legal action against the borrower and the guarantor by Writs of Summons filed in the High Court of Hong Kong with a view to recovering the loan and other loss and damages. For details, please refer to the announcements of the Company dated 22 March 2021 and 29 April 2022.
- (iii) Management performed an impairment analysis with reference to the expected credit loss assessment performed by Masterpiece, using probability-weighted loss default model by considering the probability of default with respective credit ratings. As at 30 September 2022, the probability of default applied 100% (31 March 2022: 100%) and the loss given default was estimated to be ranged from 61.86% to 100% (31 March 2022: ranged from 61.50% to 61.77%).

## 16. TRADE PAYABLES

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

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
0 – 30 days	27,703	7,838
31 – 60 days	48,365	134,379
61 – 90 days	6,250	–
Over 90 days	2,966	632
	<u>85,284</u>	<u>142,849</u>

## 17. BORROWINGS

	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
<b>Current</b>		
Bank loans	182,941	178,635
Other loans	424,290	663,834
	<u>607,231</u>	<u>842,469</u>
<b>Non-current</b>		
Bank loans	330,220	222,222
<b>Total</b>	<u>937,451</u>	<u>1,064,691</u>
<b>Effective interest rates per annum in range of:</b>		
– fixed rate borrowings	<u>3.84% to 8.50%</u>	<u>1.64% to 8.50%</u>

### Notes:

- (i) The borrowings are substantially denominated in RMB and Hong Kong Dollars.
- (ii) As at the reporting date, all the current borrowings were repayable on demand or scheduled to be repaid on demand or within one year and none of the non-current bank loans is expected to be settled within one year.
- (iii) As at 30 September 2022 and 31 March 2022, certain of the Group's assets were pledged to secure the loan facilities granted to the Group.
- (iv) Certain borrowings were secured by corporate guarantees executed by the Company and certain subsidiaries during the six months ended 30 September 2022 and the year ended 31 March 2022.
- (v) Certain borrowings were secured by guarantees executed by a director of the Group and a director of a subsidiary in China during the six months ended 30 September 2022 and the year ended 31 March 2022.
- (vi) As at 30 September 2022 and 31 March 2022, certain borrowings were secured by guarantee of state-owned enterprise of the PRC.



## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

According to the estimate of the IMF, the risk of a global economic recession is increasing, the countries which account for about one-third of the aggregated value of the global economy will experience an economic downturn for two consecutive quarters this year or next year. Currently, the IMF's forecast for global economic growth is 3.2% for 2022 and 2.9% for 2023.

The National Bureau of Statistics of China recently released the economic growth rate for the third quarter of 2022 of 3.9%, which is much higher than that of the second quarter, and the GDP for the first three quarters increased by 3.0% year on year. Although China's economy has fluctuated monthly since the beginning of this year, it has generally maintained its momentum of recovery and growth, and the economy for the third quarter has picked up significantly. Globally, China's economic performance is still prominent.

#### China's Luxury Goods Market

There are multiple ongoing updates and research reports published by reputable authorities, investment banks and global research houses in relation to the projected growth of demand for luxury goods in China. "*The 2022 Global Luxury Market Trends Insights Report*" published by Leadleo Research Institute indicated that the pandemic recurrence at certain regions of China and the lockdown of two major first-tier cities, i.e. Shanghai and Beijing, affected the traffic of the luxury goods landmarks such as Shanghai Hang Lung Plaza and Beijing SKP, which greatly affected on China's luxury goods market. It is expected that the growth rate of China's luxury goods market for 2022 will slow down significantly. However, in the long run, with the increase of China's new middle-class population, the favourable offshore duty-free policy of Hainan and the accelerated expansion of commercial shopping malls, the national high-quality consumption demand of China will continue to grow.

In recent years, the luxury goods industry has demonstrated its ability to withstand and overcome the crisis, which has provided support for market forecasts. “*The 2022 Luxury Outlook Report*” published by Boston Consulting on 30 June 2022 forecasted that the luxury goods industry in 2022 will return to the level before the 2019 coronavirus (“**COVID-19**”) pandemic and grow by 6% between 2022 and 2026. In addition, Aurélie Husson-Dumoutier, an equity analyst at HSBC, issued a research report titled “*Luxury Goods / Landing in sight*”, which believes that the global demand for luxury goods has strong relevance with the macro economy with leading indicators pointing to a slowdown in demand for luxury goods in the future. The good news is that there is still huge growth potential for the market of Mainland China and it is found after statistics that China’s luxury goods market is almost decoupled with the macro economy. China’s luxury goods market should rebound in 2023, promoting the growth of the industry.

According to the Chinese edition of “*The Wealth Report 2022*” published by Knight Frank, a world-renowned independent real estate consulting service company, on 21 July 2022, the number of ultra-high net worth individuals worldwide increased by 9.3% in 2021, among which the growth rate was 6% in China, and the growth rate of ultra-high-net-worth individuals in Mainland China is expected to rank third in the world (+256%) by 2026. In summary, as the number of high-net-worth individuals in China continues to grow, and benefit from the restrictions on overseas travel, the luxury goods consumption has seen obvious backflow in Mainland China, and China’s luxury goods market may recover.

## **BUSINESS REVIEW**

### **Automobile Dealerships**

During the financial period under review, Lamborghini recorded positive sales results but Rolls-Royce and Bentley experienced a drop in revenue. Lamborghini performed the best with the largest sales increment, amounting to approximately HK\$214.6 million and representing approximately 19.2% increase in sales in the financial period under review from approximately HK\$180.0 million during the corresponding financial period last year. A total of 55 units of Lamborghini were sold, representing an increase of approximately 12.2% as compared with 49 units sold in the corresponding financial period last year.

According to the official press release titled “the positive trend continues: record first half of the year for Lamborghini” on the Lamborghini website dated 2 August 2022, it was reported that Lamborghini Motor Cars delivered 5,090 cars to worldwide in the first six months of 2022, which is 4.9% more than that in the same period of 2021.

Rolls-Royce recorded a drop in sales during the financial period under review with a total of approximately HK\$856.6 million, representing a decrease of approximately 13.7% as compared with that of approximately HK\$992.6 million recorded in the corresponding financial period last year. At the same time, a total of 117 units of Rolls-Royce were sold, representing a decrease of approximately 19.9% as compared with 146 units sold in the corresponding financial period last year.

Bentley recorded approximately 19.9% decrease in unit sales to 222 units sold during the financial period under review, as compared with 277 units sold in the corresponding financial period last year. The brand recorded a decrease in sales during the financial period under review with a total of approximately HK\$754.0 million, representing a decrease of approximately 25.5% as compared with that of approximately HK\$1,011.8 million recorded in the corresponding financial period last year.

According to the press release from Bentley newsroom, the sales of the first half of 2022 in Mainland China, Hong Kong and Macau decreased by 25% which was impacted by COVID-19.

Revenue from after-sales services during the financial period under review reached approximately HK\$46.4 million, amounting to an increase of approximately 3.2% as compared with the revenue recorded in the corresponding financial period last year. Regarding the gross profit margin, we saw an increase from approximately 32.1% in the corresponding financial period last year to approximately 47.6% in the financial period under review.

## **Non-auto Dealerships**

During the financial period under review, the sales performance of our non-auto dealership division recorded an increase of approximately 8.7% to approximately HK\$203.3 million as compared with approximately HK\$187.1 million in the corresponding financial period last year.

Gross profit margin of the non-auto dealership division increased from approximately 26.7% in the previous financial period to approximately 31.2% in the financial period under review. The increase was mainly driven by an increase in gross profit margin of the sales of audio equipment.

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

## **Others**

During the financial period under review, the revenue from our others division, which includes the provision of property management services, films and television program investments and money lending business, recorded an increase of approximately 9.9% to approximately HK\$48.8 million, as compared with approximately HK\$44.4 million in the previous financial period. The increase was mainly due to generation of revenue in the films and television program investments.

Regarding the property management business, the revenue recorded a decrease of approximately 8.9% to approximately HK\$37.7 million, as compared with approximately HK\$41.4 million in the corresponding financial period last year. The decrease was due to decrease in the property management fee income and sub-lease income during the financial period under review.

Regarding the films and television program investment business, the revenue recorded at approximately HK\$9.4 million during the financial period under review which arose from selection of fixed return for one of the film investments (six months ended 30 September 2021: nil). With the ongoing implementation of precautionary measures against the variants of COVID-19 in the PRC, the releasing schedules of most of our film investments had also been further postponed.

Regarding the money lending business, the revenue recorded at approximately HK\$1.7 million accrued interest income during the financial period under review (six months ended 30 September 2021: approximately HK\$3.0 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 Group 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 announcement of the Company dated 29 April 2022.

After the commencement of the legal proceedings, the Group and one of the borrowers reached a settlement on the matter and pursuant to a Tomlin Order filed by the parties with the High Court of Hong Kong dated 8 August 2022, the parties agreed to stay the legal proceedings and a deed of settlement was executed by the lender, the borrower and the guarantor on 8 August 2022. The Group received full repayment of the 1st instalment of HK\$9,660,000 on 1 September 2022. For the details, please refer to the announcements of the Company dated 1 and 29 April 2022, 8, 18 and 24 August 2022 and 1 September 2022. Subsequent to the end of this interim financial period, the Group received full repayment of the 2nd instalment of HK\$9,660,000.

## 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 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 30 September 2022, the Group held 14,059,347 shares (31 March 2022: 14,059,347 shares) of B&O, representing approximately 11.45% of its total issued shares. The carrying amount of this investment represented approximately 3.3% of the total assets of the Group as at 30 September 2022.

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

The Group’s financial assets at fair value through other comprehensive income (“**FVTOCI**”) of HK\$132.7 million as at 30 September 2022 (31 March 2022: HK\$319.8 million) represented the Group’s strategic investment in B&O. The decrease in carrying amount of the Group’s financial assets at FVTOCI during the financial period under review was mainly due to fair value change on the market price of the shares of B&O and decrease in exchange rate of Danish Krone (“**DKK**”). The share price of B&O dropped to DKK9.115 per share as at 30 September 2022 (31 March 2022: DKK19.35 per share) as quoted on the Nasdaq Copenhagen A/S, representing a decrease of approximately 52.9% during the financial period under review.

## OUTLOOK

Under the current circumstance of a series of uncertain factors, including the uncertainty of the rigorous degree on the implementation of control measures against COVID-19 in the PRC, an unsteady global economic environment, and a slowdown in China’s GDP growth, as well as the instability of the supply chain on the sales products of the Group, we maintain a prudent view on the performance of the Group in the second half of this financial year.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group for the six months ended 30 September 2022 was approximately HK\$2,123.6 million, representing a decrease of approximately 13.7% as compared with that of approximately HK\$2,460.8 million recorded in the corresponding financial period last year. The decrease was due to the adoption of a series of lockdown measures against the COVID-19 epidemic in the PRC, causing logistics restrictions and reduced foot traffic during the period. The table below sets out the Group's revenue by segments for the period indicated:

Revenue Source	Six months ended 30 September				Changes	
	2022		2021			
	Contribution		Contribution			
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Automobile segment						
Sales of automobiles	1,825,070	85.9%	2,184,361	88.8%	(359,291)	(16.4%)
Provision of after-sales services	46,437	2.2%	45,001	1.8%	1,436	3.2%
Sub-total	1,871,507	88.1%	2,229,362	90.6%	(357,855)	(16.1%)
Non-automobile dealership segment	203,320	9.6%	187,077	7.6%	16,243	8.7%
Others	48,775	2.3%	44,378	1.8%	4,397	9.9%
Total	2,123,602	100%	2,460,817	100%	(337,215)	(13.7%)

## **Gross Profit and Gross Profit Margin**

The gross profit of the Group for the six months ended 30 September 2022 decreased by approximately 19.9% to approximately HK\$337.2 million (30 September 2021: approximately HK\$421.2 million) while the gross profit margin of the Group for the six months ended 30 September 2022 decreased from 17.1% to 15.9%. The decline in gross profit was mainly attributable to a decrease of approximately HK\$100 million in gross profit of the automobile dealership segment.

## **Other Income, Gains and Losses**

Other income, gains and losses recorded a net loss of approximately HK\$11.8 million for the six months ended 30 September 2022 (30 September 2021: a net loss of approximately HK\$87.6 million). Such change was because there was no write off of other intangible assets and impairment of goodwill on property management business during the financial period under review.

## **Impairment of Loan Receivables and Loan Interest Receivables**

The charge for impairment losses on loan receivables and loan interest receivables of approximately HK\$7.7 million (of which HK\$6.4 million is for the loan receivables and HK\$1.3 million is for the loan interest receivables) for the six months ended 30 September 2022 (30 September 2021: nil) was measured based on the requirement under HKFRS 9. The charge for impairment losses mainly represented a further impairment made to one of the loan receivables and the loan interest receivables as a result of the borrowers' default of the loan agreements on which legal proceedings have been instituted by the Group.

## ***Value of inputs used and the basis and assumptions adopted in the valuation***

The management of the Group performed an impairment analysis with reference to the expected credit loss ("ECL") assessment performed by Masterpiece Valuation Advisory Limited ("**Masterpiece**"), an independent and professionally qualified valuer by using probability-weighted loss default model, which is in accordance with the general approach as stated in HKFRS 9. There was no change on the approach adopted for the period ended 30 September 2022, the years ended 31 March 2022 and 2021.



### ***Update on the value of inputs and assumptions from those previously adopted***

According to Masterpiece, 100% loss given default was applied to the expected credit loss calculation of one of the borrowers as one of the borrowers still failed to repay his loan during the period under review. Other than that, there was no significant change to the basis, assumptions and inputs adopted in the ECL assessment for the period ended 30 September 2022 as compared with the year ended 31 March 2022.

For the year ended 31 March 2022, according to Masterpiece, as both borrowers defaulted and failed to repay their loans on the respective maturity dates, the credit rating of the corporate borrower was considered to be not applicable to determine its probability of default (“PD”). Since both borrowers defaulted, 100% PD was applied to the expected credit loss calculation of them. Other than that, there was no significant change to the basis, assumptions and inputs adopted in the ECL assessment as compared with the year ended 31 March 2021.

### ***Calculation of the loan impairment losses***

As at 30 September 2022, the carrying amount of loan receivables was approximately HK\$18.4 million (31 March 2022: HK\$34.5 million) net of HK\$61.9 million accumulated impairment (31 March 2022: HK\$55.5 million). During the period under review, an impairment loss of approximately HK\$6.4 million have been recognised for the six months ended 30 September 2022 (for the year ended 31 March 2022: HK\$55.5 million). The calculation of the impairment losses was based on the exposure of default multiplied by PD and multiplied the loss given default.

### ***Selling and Distribution Costs***

The selling and distribution costs decreased by approximately 7.2% to HK\$221.6 million during the period under review as compared with HK\$238.8 million for the corresponding period of the last financial year. The decrease was mainly due to decrease in marketing and promotion expenses.

## **Administrative Expenses**

The administrative expenses increased by approximately HK\$2.3 million from HK\$44.4 million for the six months ended 30 September 2021 to HK\$46.7 million for the six months ended 30 September 2022. The changes were mainly due to the recognition of one-off equity-settled share option expenses for staff with a total amount of approximately HK\$9.9 million, which is a non-cash item, but partly offset by the decrease in amortisation of other intangible assets during the period under review.

## **Finance Costs**

The financing costs of the Group increased by approximately 49.8% from approximately HK\$32.5 million for the six months ended 30 September 2021 to approximately HK\$48.7 million for the six months ended 30 September 2022, due to the increase in the borrowings for the purchase of automobiles inventories, and for the acquisition of the property used by the Group as showrooms and office in the second half of last financial year.

## **Property, Plant and Equipment**

The Group's property, plant and equipment as at 30 September 2022 were approximately HK\$1,187.4 million (31 March 2022: approximately HK\$1,389.5 million). During the six months ended 30 September 2022, the Group acquired items of property, plant and equipment at a total cost of approximately HK\$33.3 million (six months ended 30 September 2021: approximately HK\$106.4 million), and items of property, plant and equipment with a net carrying amount of approximately HK\$6,000 were disposed of during the six months ended 30 September 2022 (the net carrying amount for the six months ended 30 September 2021: approximately HK\$27.2 million).

## **Investment Properties**

The Group's investment properties as at 30 September 2022 were approximately HK\$411.7 million (31 March 2022: approximately HK\$437.4 million). The change in value of investment properties was mainly due to one of the owner-occupied property changed as investment property, the decrease in fair value and the differences in exchange translation incurred during the financial period under review.

## **Goodwill**

The Group's goodwill as at 30 September 2022 was approximately HK\$296.6 million (31 March 2022: approximately HK\$333.2 million). The decrease in goodwill was mainly due to the differences in exchange translation incurred during the financial period under review.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's total assets as at 30 September 2022 were approximately HK\$4,063.4 million (31 March 2022: approximately HK\$4,727.7 million) which were financed by the total equity and total liabilities of approximately HK\$2,284.6 million (31 March 2022: approximately HK\$2,725.3 million) and HK\$1,778.8 million (31 March 2022: approximately HK\$2,002.4 million) respectively.

## **Cash Flow**

The Group's cash and cash equivalents as at 30 September 2022 were approximately HK\$164.9 million (31 March 2022: approximately HK\$151.5 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 increase of the Group's cash at banks and in hand was mainly attributable to the decrease in pledged deposit for banking and other facilities when compared with the year ended 31 March 2022.

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

## **Borrowings**

The Group's borrowings as at 30 September 2022 were approximately HK\$937.5 million, representing a decrease of approximately 11.9% from approximately HK\$1,064.7 million as at 31 March 2022. The Group's borrowings were mainly denominated in RMB. The decrease was mainly due to decrease in borrowing for purchase of automobiles inventories.

## **Gearing Ratio**

The Group's gearing ratio computed as total borrowings over the total equity decreased to approximately 41.4% as at 30 September 2022 (31 March 2022: approximately 39.4%).

## **Inventories**

As at 30 September 2022, the Group's inventories decreased by approximately 9.9% from approximately HK\$1,361.2 million as at 31 March 2022 to approximately HK\$1,226.7 million. Such decrease was primarily due to the decrease in the inventories of automobile and audio equipment which comprised approximately 53.2% and 25.0% of the inventories of the Group respectively.

The Group's average inventory turnover days increased from 73 days for the six months ended 30 September 2021 to 133 days for the six months ended 30 September 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 ("USD").

The Group did not enter into any foreign currency forward contract for the financial period under review. As at 30 September 2022, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts (30 September 2021: nil).

## **Contingent Liabilities and Capital Commitment**

The Board considered that the Group had no material contingent liabilities as at 30 September 2022 (31 March 2022: nil). The Board considered that the Group had no material capital commitment as at 30 September 2022 in respect of acquisition of property, plant and equipment (31 March 2022: nil).

## **Charges on Assets**

As at 30 September 2022, land and buildings, investment properties, deposits and inventories of the Group with aggregate carrying amounts of approximately HK\$926.5 million (31 March 2022: approximately HK\$683.4 million), approximately HK\$43.6 million (31 March 2022: nil), approximately HK\$59.1 million (31 March 2022: approximately HK\$84.1 million) and approximately HK\$519.3 million (31 March 2022: approximately HK\$635.1 million) respectively were pledged to secure general banking facilities and other facilities granted to the Group.

## **Human Resources**

As at 30 September 2022, the Group had 450 employees (31 March 2022: 453). Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK\$42.6 million (including approximately HK\$9.9 million of equity-settled share based payment expenses) for the six months ended 30 September 2022 (six months ended 30 September 2021: approximately HK\$27.4 million).

The Group provided benefits, which included basic salary, commission, discretionary bonus, medical insurance and retirement funds to employees to sustain the competitiveness of the Group. The package was reviewed on an annual basis based on the Group's performance and employees' performance appraisal. The Group also provided training to the employees for their future advancement.

## **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 which is an independent third party (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. However, the 1st Borrower failed to repay the 1st Loan with outstanding principal amount of HK\$58.0 million and the accrued interest on the maturity date (4 March 2022).

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.

After the commencement of the legal proceedings, the parties reached a settlement on the matter and pursuant to a Tomlin Order filed by the parties with the High Court of Hong Kong dated 8 August 2022, the parties agreed to stay the legal proceedings and a deed of settlement (the “**Settlement Deed**”) was executed by the Lender, the 1st Borrower and the Guarantor on 8 August 2022.

Pursuant to the Settlement Deed, the 1st Borrower shall pay the 1st instalment of the settlement sums in the amount of HK\$9,660,000 on 15 August 2022. The Lender, however, did not receive such payment from the 1st Borrower on the due date. Though the 1st Borrower was late in payment, after the Lender’s demands and the subsequent requests from the 1st Borrower and the Guarantor for a short extension of time of payment, the Lender has received full repayment of the 1st instalment of HK\$9,660,000 on 1 September 2022. Subsequent to this interim financial period ended 30 September 2022, the Lender received full repayment of the 2nd instalment of HK\$9,660,000.

For details, please refer to the announcements of the Company dated 4 March 2021, 1 and 29 April 2022, 8, 18 and 24 August 2022 and 1 September 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 who is an independent third party (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. However, the 2nd Borrower failed to repay the 2nd Loan with outstanding principal amount of HK\$32.0 million and the accrued interest on the maturity date (22 March 2022).

As a result of the 2nd Borrower's default, 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. The legal proceedings are ongoing and the Company will make further announcement on the status of the matter as and when appropriate.

For details, please refer to the announcements of the Company dated 22 March 2021 and 29 April 2022.

### **Proposed placing of new shares under general mandate and its termination**

On 9 September 2022 (after the trading hours), the Company entered into a placing agreement (the “**Placing Agreement**”) with a placing agent (the “**Placing Agent**”), pursuant to which the Placing Agent has conditionally agreed to place, on a best effort basis, up to 538,000,000 new shares of the Company (the “**Placing Shares**”) to Placee(s) at a placing price of HK\$0.093 per Placing Share (the “**Placing**”).

It was expected that the gross proceeds and net proceeds (after deducting placing commission for the Placing and other relevant expenses) from the Placing would be approximately HK\$50 million and approximately HK\$49.1 million, respectively, and the Company intended to apply (i) approximately HK\$10 million of the net proceeds for repayment of the existing loans granted to the Group; (ii) approximately HK\$25 million of the net proceeds for our Group's non-auto dealership business in Hong Kong for cigars and smoker's accessories and audio equipment; and (iii) the remaining proceeds for our Group's general working capital.

Although all the conditions of the Placing as set out in the Placing Agreement were fulfilled on 26 September 2022, a majority placee (which would become a substantial shareholder (within the meaning as defined in the Listing Rules) of the Company if the Placing was to proceed) would like to have further time to seek legal advice on the disclosure of its background information and to consider completing the settlement procedures under the Placing. After allowing a couple of days, the Company and the Placing Agent considered that given the uncertainty on the timing for obtaining such information of the placee and on the completion of the Placing, the Company and the Placing Agent mutually agreed to terminate the Placing on 19 October 2022 (after trading hours).

The Board considers that the termination of the Placing Agreement and the Placing has no material adverse impact on the financial position and operations of the Group.

Please refer to the announcements of the Company dated 9 September 2022, 19 October 2022 and 26 October 2022 for further details.

### **Proposed share consolidation and proposed change in board lot size**

On 23 November 2022, the Company announced that the Board proposed to implement a share consolidation on the basis that every sixteen (16) issued and unissued existing shares of HK\$0.002 each in the share capital of the Company would be consolidated into one (1) consolidated share of HK\$0.032 each. The share consolidation is conditional upon, among other things, the approval by the shareholders of the Company at the special general meeting.

The Board also proposed that, subject to and conditional upon the share consolidation becoming effective, the board lot size for trading in the consolidated shares of the Company would be changed to 2,000 consolidated shares.

For details, please refer to the announcement of the Company dated 23 November 2022.

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. Its subsidiaries are principally engaged in dealerships of luxury goods and automobiles, provision of after-sales services, property management services, property rental services, film related business including development and investment in films and television program and money lending business. The Group's operations are mainly based in Hong Kong and Mainland China.



## INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: nil) as the Group would like to reserve more capital to capture opportunities and meet the challenges ahead.

## SHARE OPTION SCHEME

The Company's previous share option scheme (the "**Old Scheme**") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 20 August 2012 for the primary purpose of providing incentives to directors and eligible employees.

On 19 August 2022, share options of an aggregate of 290,000,000 ordinary shares of HK\$0.1 each in the share capital of the Company were granted to employees of the Group under the Old Scheme. No share options were exercised during the six-month period ended 30 September 2022. Details and movements of share options granted are stated as below:

Name or category of grantee	Date of grant of share option	Exercise price (HKD)	Exercise period	Number of share options					Balance as at 30 September 2022
				Balance as at 1 April 2022	Grant during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
Employees	19 August 2022	0.1	19 August 2022 to 18 August 2027	-	290,000,000	-	-	-	290,000,000
Total				-	290,000,000	-	-	-	290,000,000

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 27 September 2022, the Company's new share option scheme (the "**New Scheme**") was adopted on 29 September 2022 and the Old Scheme was expired on 19 August 2022. The New Scheme shall be valid and effective for a term of ten years commencing on 29 September 2022.

The total number of shares in respect of which options may be granted under the New Scheme as at 30 September 2022 was 547,195,344 shares (including options for nil share that have been granted but not yet lapsed or exercised), representing 10% of the issued share capital of the Company as at the date of approval of the adoption of the New Scheme initially.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's business. Eligible participants of the New Scheme include any Director (including executive, non-executive and independent non-executive Director), any employee, or any consultant, advisor, customer and business associates.

There was no outstanding share to be issued under the New Scheme as at 30 September 2022.

## **PRE-EMPTIVE RIGHTS**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules to govern securities transactions by the Directors. After having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code throughout the six months ended 30 September 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 with the Model Code by the relevant employees was noted by the Company during the six months ended 30 September 2022.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance. The Board agrees that corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure that all practices can be met with legal and statutory requirements. Throughout the six months ended 30 September 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 six months ended 30 September 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**”), comprised exclusively independent non-executive Directors, is free to directly communicate with the Company’s external auditors and independent professional advisers when it considers necessary.

## **Audit Committee**

The Audit Committee comprises three independent non-executive Directors, namely Mr. Choy Sze Chung, Jojo (Chairman of the Audit Committee), Mr. Lam Kwok Cheong and Mr. Gao Yu with written terms of reference in line with the code provisions set out in the Code. The Audit Committee has reviewed and approved the interim condensed consolidated financial statements of the Group for the six months ended 30 September 2022 with no disagreement with the accounting treatment adopted by the Company.

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

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

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

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

Hong Kong, 30 November 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.*