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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

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 2023, together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Revenue	*5*	**3,997,656**	4,324,487
Cost of sales		**(3,419,528)**	(3,468,055)
Gross profit		**578,128**	856,432
Other income, gains and losses	*6*	**(30,580)**	(131,599)
Impairment of trade receivables		**(5,867)**	–
Impairment of loan receivables and loan interest receivables		**(12,663)**	(56,390)
Selling and distribution costs		**(408,259)**	(504,468)
Administrative expenses		**(84,343)**	(81,708)
Operating profit	*7*	**36,416**	82,267
Finance costs	*8*	**(96,268)**	(72,648)
(Loss)/profit before income tax		**(59,852)**	9,619
Income tax	*9*	**6,229**	21,895
(Loss)/profit for the year		**(53,623)**	31,514
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(170,042)**	73,884
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity investments at fair value through other comprehensive income recognised during the year		**(162,723)**	(200,322)

	Notes	**2023** HK$'000	2022 HK$'000
Other comprehensive income for the year, net of tax		**(332,765)**	(126,438)
Total comprehensive income for the year		**(386,388)**	(94,924)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(53,127)**	34,052
Non-controlling interests		**(496)**	(2,538)
		(53,623)	31,514
Total comprehensive income attributable to:			
Owners of the Company		**(373,152)**	(92,483)
Non-controlling interests		**(13,236)**	(2,441)
		(386,388)	(94,924)
			(Re-presented)
(Loss)/earnings per share attributable to owners of the Company			
Basic	*10*	**HK(15.5) cent**	HK10.0 cent
Diluted	*10*	**HK(15.5) cent**	HK10.0 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**1,208,517**	1,389,477
Investment properties		**393,862**	437,425
Goodwill	*13*	**302,315**	333,222
Other intangible assets	*14*	**187,578**	210,331
Financial assets at fair value through other comprehensive income	*15*	**158,395**	319,766
Prepayment for property, plant and equipment		**3,158**	3,431
		2,253,825	2,693,652
Current assets			
Inventories		**1,229,761**	1,361,173
Trade receivables	*16*	**36,228**	27,823
Loan receivables		**–**	34,471
Deposits, prepayments and other receivables		**177,302**	270,889
Amounts due from non-controlling interests		**17,115**	40,309
Investment in films and television program	*17*	**49,768**	63,737
Pledged deposits		**75,229**	84,111
Cash at banks and in hand		**146,732**	151,519
		1,732,135	2,034,032
Current liabilities			
Trade payables	*18*	**30,417**	142,849
Contract liabilities		**136,600**	195,632
Receipts in advance, accrued charges and other payables		**191,153**	127,392
Amounts due to non-controlling interests		**8,009**	11,420
Provision for taxation		**917**	5,166
Borrowings		**711,968**	842,469
Convertible bonds		**9,400**	–
Lease liabilities	*12*	**38,866**	34,880
		1,127,330	1,359,808
Net current assets		**604,805**	674,224
Total assets less current liabilities		**2,858,630**	3,367,876

	Notes	**2023** **HK$'000**	2022 HK$'000
Non-current liabilities			
Borrowings		**284,943**	222,222
Convertible bonds		**–**	8,745
Deferred tax liabilities		**39,446**	53,465
Lease liabilities	*12*	**306,321**	358,121
		630,710	642,553
NET ASSETS		**2,227,920**	2,725,323
EQUITY			
Share capital		**10,944**	10,944
Reserves		**2,188,280**	2,551,528
Equity attributable to owners to the Company		**2,199,224**	2,562,472
Non-controlling interests		**28,696**	162,851
TOTAL EQUITY		**2,227,920**	2,725,323

NOTES

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 changed from Room 2028-36, 20/F Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong to 23/F China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong effective from 29 May 2023. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

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

2. BASIS OF PREPARATION

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

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

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

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

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

(a) Adoption of new or revised HKFRSs – effective on 1 April 2022

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

Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41	Annual Improvements to HKFRSs 2018–2020
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework

None of these amended HKFRSs has a material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements. 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 amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, 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 HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants (“**2022 Amendments**”)[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]

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

2 Effective for annual periods beginning on or after 1 January 2024.

Amendments to HKAS 1 and HKFRS 2 Practice Statement 2, Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies 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 their 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.

The Directors is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8, Definition of Accounting Estimates

These amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Earlier application is permitted.

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

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

These amendments narrow the scope of the initial recognition exception in HKAS 12 so that it does not apply to transactions that give rise to equal and offsetting temporary differences. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liabilities for temporary differences arising from these transactions. The amendments shall be applied prospectively to transactions other than lease and decommissioning obligations. Earlier application is permitted.

The Group is currently assessing the impact of the amendments. Based on preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively. Earlier application is permitted.

The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e. 1 April 2019). Earlier application is permitted.

The Directors do not anticipate that the application of these amendments in the future will have any significant impact on the Group's financial statements.

4. SEGMENT INFORMATION

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

The executive directors have identified the following reportable operating segments:

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

(ii) Non-auto dealership – this segment includes sales of branded watches, jewelleries, fine wines, audio equipment, menswear apparels and accessories, cigars and smoker's accessories, 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.

	2023			
	Auto dealership *HK$'000*	**Non-auto dealership** *HK$'000*	**Property management and others** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**3,497,614**	**422,022**	**78,020**	**3,997,656**
Other income, gains and losses	**14,300**	**16,822**	**(67,270)**	**(36,148)**
Reportable segment revenue	**3,511,914**	**438,844**	**10,750**	**3,961,508**
Reportable segment results	**230,559**	**(63,376)**	**(40,252)**	**126,931**

	2022			
	Auto dealership	Non-auto dealership	Property management and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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

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

	2023	2022
	HK$'000	*HK$'000*
Reportable segment results	**126,931**	160,135
Bank interest income	**1,559**	3,776
Unallocated corporate income	**4,008**	5,740
Unallocated corporate expenses	**(96,082)**	(87,384)
Finance costs	**(96,268)**	(72,648)
(Loss)/profit before income tax	**(59,852)**	9,619

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.

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers:		
Recognised at point in time		
Sales of automobiles	**3,404,431**	3,709,351
Sales of other merchandised goods	**422,022**	437,458
Recognised over time		
Provision of after-sales services	**93,183**	90,843
Provision of property management services	**1,561**	1,059
Total revenue from contracts with customers	**3,921,197**	4,238,711
Revenue from other sources:		
Interest income from provision of money lending	**1,942**	5,652
Provision of property rental services	**74,517**	80,124
Total	**3,997,656**	4,324,487

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

	2023	2022
	HK$'000	*HK$'000*
Types of goods or services:		
Auto dealership segment		
Sales of automobiles	**3,404,431**	3,709,351
Provision of after-sales services	**93,183**	90,843
	3,497,614	3,800,194
Non-auto dealership segment		
Sales of other merchandised goods	**422,022**	437,458
Other segment		
Provision of property management services	**1,561**	1,059
Total revenue from contracts with customers	**3,921,197**	4,238,711

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

6. OTHER INCOME, GAINS AND LOSSES

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**1,559**	3,776
Changes in fair value of investment properties	**(54,468)**	(69,999)
Changes in fair value of investment in films and television program	**(9,001)**	(3,649)
Gain on disposal of property, plant and equipment	**3,917**	6,256
Gain on sales of pre-owned cars	**406**	2,754
Gain on lease modification	**–**	3,647
Government grant *(Note)*	**336**	–
Impairment of goodwill	**(4,452)**	(65,904)
Impairment of other intangible assets	**–**	(8,732)
Income from advertising, exhibitions and other services	**19,660**	32,181
Income from insurance brokerage	**4,339**	3,132
Others	**7,124**	9,577
Written off of other intangible assets	**–**	(44,638)
	(30,580)	(131,599)

Note:

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

7. OPERATING PROFIT

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

	2023	2022
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**6,091**	10,350
Auditors' remuneration		
– Audit services	**2,245**	2,100
– Non-audit services	**–**	295
Cost of inventories recognised as expenses, including	**3,408,364**	3,463,418
– Write-down of inventories	**30,598**	24,286
– Reversal of write-down of inventories	**(2,586)**	(14,770)
Depreciation of property, plant and equipment	**77,984**	91,143
Exchange differences, net	**528**	573
Employee benefit expenses	**84,153**	70,192
Interest on lease liabilities	**24,885**	28,806
Impairment of loan receivables and loan interest receivables *(Note)*	**12,663**	56,390
Impairment of goodwill	**4,452**	65,904
Impairment of other intangible assets	**–**	8,732
Lease payments under short term leases	**2,835**	2,483
Lease payments under variable lease payment not included in the measurement of lease liabilities	**1,084**	2,736
Written off of other intangible assets	**–**	44,638

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 credit ratings, which is in accordance with the general approach as stated in HKFRS 9. As at 31 March 2023, the probability of default applied was 100% and the loss given default was estimated to be 100% (2022: ranged from 61.50% to 61.77%).

8. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on bank borrowings	**36,680**	22,722
Interest on other loans	**34,048**	20,510
Imputed interest on lease liabilities	**24,885**	28,806
Imputed interest on convertible bonds	**655**	610
	96,268	72,648

9. INCOME TAX

Hong Kong profits tax is calculated at 16.5% (2022: 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 2022 and 2023.

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 2022 and 2023.

	2023	2022
	HK$'000	*HK$'000*
Current tax		
– Income tax of Mainland China		
Charge for the year	**3,758**	5,381
Over-provision in prior years	**(42)**	(32)
Total current tax	**3,716**	5,349
Deferred tax	**(9,945)**	(27,244)
	(6,229)	(21,895)

10. (LOSS)/EARNINGS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit for the purposes of basic (loss)/earnings per share	**(53,127)**	34,052
Effect of dilutive potential ordinary shares:		
Imputed interest on convertible bonds	**655**	610
(Loss)/profit for the purposes of diluted (loss)/earnings per share	**(52,472)**	34,662

	2023	2022
		(Re-presented)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share *(Note)*	**341,997,090**	341,997,090
Effect of dilutive potential ordinary shares:		
– Convertible bonds issued by the Company	**2,500,000**	2,500,000
Weighted average number of ordinary shares for the purposes of calculating diluted (loss)/earnings per share	**344,497,090**	344,497,090

Note: The weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share has been adjusted for the consolidation of every sixteen existing shares into one consolidated share during the year as if effective since 1 April 2021.

Diluted loss per share for the year ended 31 March 2023 does not assume the exercise of share options granted by the Company because the exercise price of the share options were higher than the average market price for the shares. Besides, the computation of diluted loss per share did not assume the conversion of convertible bonds as the conversion of these convertible bonds would result in decrease in loss per share.

The computation of diluted earnings per share for the year ended 31 March 2022 is with an anti-dilutive impact, where interest per ordinary share obtainable on conversion of convertible bonds exceeds basic earnings per share, accordingly, the amount presented for the diluted earnings per share is the same as the basic earnings per share amount.

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 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
Year ended 31 March 2023				
Opening net carrying amount	1,295,462	81,341	12,674	1,389,477
Exchange differences	(103,941)	(6,982)	(935)	(111,858)
Additions	19,298	12,884	31,071	63,253
Transfer to investment properties	(43,595)	–	–	(43,595)
Disposals	–	–	(10,776)	(10,776)
Depreciation	(54,381)	(19,048)	(4,555)	(77,984)
Closing net carrying amount	1,112,843	68,195	27,479	1,208,517
At 31 March 2023				
Cost	1,290,171	310,548	52,406	1,653,125
Accumulated depreciation and impairment	(177,328)	(242,353)	(24,927)	(444,608)
Net carrying amount	1,112,843	68,195	27,479	1,208,517

During the year ended 31 March 2023, the use of certain land and buildings of the Group located in the People's Republic of China ("**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 as at the date of transfer was transferred to investment properties of the Group.

The Group's land and buildings with carrying amount of approximately HK$942,087,000 (2022: HK$683,419,000) 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, bonded warehouses, showrooms and retail stores. Lump sum payments were made upfront to acquire the interests in the leasehold land in the PRC. Leases of office buildings generally have lease terms ranging from two to fifteen years and lease payments are fixed over the lease terms.

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

(i) ***Right-of-use assets***

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

	Prepaid lease payment	Buildings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 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 and 1 April 2022	1,007,015	112,874	1,119,889
Additions	–	19,298	19,298
Depreciation expense	(30,490)	(18,535)	(49,025)
Transfer to investment properties	(39,492)	–	(39,492)
Exchange differences	(81,104)	(8,792)	(89,896)
As at 31 March 2023	855,929	104,845	960,774

The Group's right-of-use assets in respect of leasehold land with carrying amount of approximately HK$806,833,000 (2022: HK$557,043,000) were pledged to secure certain bank loans granted to the Group.

(ii) Lease liabilities

	2023	2022
	HK$'000	*HK$'000*
As at 1 April	**393,001**	390,546
New leases	**19,298**	–
Interest expense	**24,885**	28,806
Lease payment	**(36,242)**	(49,369)
Interest payment	**(24,885)**	(28,806)
Modification of leases	**–**	37,514
Exchange differences	**(30,870)**	14,310
As at 31 March	**345,187**	393,001
Classified under:		
Non-current portion	**306,321**	358,121
Current portion	**38,866**	34,880
	345,187	393,001

13. GOODWILL

The net carrying amount of goodwill is analysed as follows:

	2023	2022
	HK$'000	*HK$'000*
At cost:		
At beginning of the year	**836,575**	809,066
Exchange differences	**(66,545)**	27,509
At end of the year	**770,030**	836,575
Accumulated impairment:		
At beginning of the year	**(503,353)**	(423,409)
Impairment loss recognised	**(4,452)**	(65,904)
Exchange differences	**40,090**	(14,040)
At end of the year	**(467,715)**	(503,353)
Net carrying amount	**302,315**	333,222

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

	2023	2022
	HK$'000	*HK$'000*
Auto dealership	**207,029**	224,920
Property management services	**95,286**	108,302
	302,315	333,222

14. OTHER INTANGIBLE ASSETS

	Film rights	Customers' list from property management contracts	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 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
Year ended 31 March 2023			
Opening net carrying amount	156,329	54,002	210,331
Amortisation	–	(6,091)	(6,091)
Exchange adjustment	(12,435)	(4,227)	(16,662)
Closing net carrying amount	143,894	43,684	187,578
At 31 March 2023			
Gross carrying amount	170,455	71,795	242,250
Accumulated amortisation and impairment	(26,561)	(28,111)	(54,672)
Net carrying amount	143,894	43,684	187,578

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 was a change in properties ownership of another 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 for the year ended 31 March 2022.

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

	2023	2022
	HK$'000	*HK$'000*
Listed equity securities, at fair value, classified as financial assets at FVTOCI		
– Listed equity securities in Denmark *(Note)*	**157,087**	319,766
– Listed equity securities in Hong Kong	**1,308**	–
	158,395	319,766

Note: The balance represented the investment in Bang & Olufsen A/S, a company incorporated in Denmark, whose shares are listed on NASDAQ Copenhagen A/S.

The fair value of the listed equity securities were based on quoted market price as at 31 March 2022 and 2023. The equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

16. 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-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:

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**26,919**	19,183
31 – 120 days	**3,662**	8,640
121 – 365 days	**5,647**	–
	36,228	27,823

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

	2023	2022
	HK$'000	*HK$'000*
Investment in films, at fair value through profit or loss ("**FVTPL**")	**20,589**	31,830
Investment in television program, at FVTPL	**29,179**	31,907
	49,768	63,737

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.

The Group's investment in films and television program were revalued on 31 March 2022 and 31 March 2023 by CHFT Advisory and Appraisal Limited, an independent firm of professional surveyors. Fair value is determined by applying the income approach, using the discounted cash flow method, based on the estimated distribution income of the films. The valuation takes into account of expected income to be generated from the box offices receipts and other income streams. The discount rates have been adjusted for the marketability and current market conditions.

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:

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**10,578**	7,838
31 – 60 days	**18,129**	134,379
61 – 90 days	**–**	–
Over 90 days	**1,710**	632
	30,417	142,849

19. DIVIDEND

No dividend was paid, declared or proposed by the Company in respect of the years ended 31 March 2022 and 2023.

CHAIRMAN'S STATEMENT

At the opening ceremony of the National People's Congress of the PRC held in March 2023, Premier Li Keqiang stated that China has set the economic growth target of 5% for 2023, which is the lowest figure since 1994. This reflects that China does not pursue excessive growth, but rather pursuing progress while maintaining stability, overcoming challenges with a pragmatic attitude, so as to promote China's continued steady development. Since 2023, driven by the overall recovery of China's economy, the social consumption level has taken the lead in rebounding, and the overall performance has been promising. In particular, leisure consumption and tourism expenditure have become the main driving forces for China's positive economic growth. It is expected that domestic consumption in the PRC will continue to be the main driver for the recovery of the domestic economy.

Looking back to last year, due to the ongoing impact of the COVID-19 pandemic, the Group's revenue decreased from approximately HK$4,324.5 million to approximately HK$3,997.7 million during the financial year under review. Gross profit for the financial year under review decreased from approximately HK$856.4 million last year to approximately HK$578.1 million. The automotive business remained as our major income driver, accounting for approximately 87.5% of the Group's business. Loss attributable to owners reached to approximately HK$53.1 million in this financial year as compared with a net profit of approximately HK$34.1 million in the last financial year.

China's Luxury Goods and Automobiles Markets

A number of reputable authorities, investment banks and global research institutions have continued to publish the latest research reports and data, indicating that China's luxury goods market will gradually pick up along with the recovery of the consumer market after the pandemic. According to the report named "Setting a New Pace for Personal Luxury Growth in China" released by Bain & Company on 7 February 2023, in view of the impact of the COVID-19 on the business, China's luxury goods market declined by 10% year-on-year in 2022, failing to reach the growth for five consecutive years. However, the report concluded that the luxury consumption fundamentals remained strong despite the temporary setback. As China gradually recovers from the impact of COVID-19, the luxury goods market will be back on track. The report anticipated that the number of mid-to-high income consumers in China is expected to double by 2030. Compared with other emerging markets, China will still be the center of the world's consumer goods market from a medium to long-term perspective.

According to the research report named "China HK Luxury Market Insights" released by PricewaterhouseCoopers on 9 February 2023, with tourism and social activities gradually on the right track, the global luxury market is recovering steadily. It is expected that the global market will increase to USD444.7 billion at a compound annual growth rate of about 11% by 2025. The Asia-Pacific region has become an important growth engine of the global luxury market, and China, as the main driving force, will continue to release its growth potential. The report estimated that the size of China's luxury market will reach RMB816 billion in 2025, which will account for about 25% of the global luxury market share.

In terms of new car sales, according to the Executive Meeting of the State Council of the PRC chaired by Premier Li Keqiang on 28 January 2023, with the purpose of promoting consumption to boost the economy and in view of the prominent contradiction of insufficient demand, it is necessary to lift enterprises in the life service industry and individual businesses out of difficulties, and facilitate the full implementation of bulk consumption policies such as automobiles. Statistics released by the China Passenger Car Association showed that the retail sales volume of the overall luxury car market in 2022 was 3.09 million units, representing a year-on-year increase of 6%. Among them, the traditional luxury car market decreased by 4% year-on-year, while the new energy luxury car market increased by 49% year-on-year, indicating that the overall market was positive. However, the traditional luxury car market was still under pressure, and the demand for new energy luxury car was relatively strong.

A research report named "Five Trends Shaping Tomorrow's Luxury-car Market" from McKinsey stated that the geographical composition of the luxury car market may change significantly with the increasing momentum of non-traditional markets such as China. The agency noted that the Asia-Pacific region will experience the highest growth rate between 2021 and 2026, driven by factors such as the increase in ultra-high-net-worth population and high-net-worth population. China is the fastest growing region in terms of ultra-high-net-worth population over the same period, and therefore the agency predicts that China will become a key part of the growth engine of the luxury car market, with over 50% of the luxury car market growth to be contributed by non-traditional markets such as China.

The Group believes that with the gradual elimination of the impact of the pandemic, China's macro economy will enter a stage of steady recovery. The rebound of China's consumption scale will continue to show momentum and further continue the high-quality development of the luxury goods market. The Group will seize the opportunities arising in the industry and make every effort to enhance its marketing capabilities and optimize its luxury goods portfolio, so as 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 8.0% decrease to approximately HK$3,498 million, as compared with that of approximately HK$3,800 million in the previous financial year. Lamborghini recorded sales growth while Bentley and Rolls-Royce both recorded sales decline. Lamborghini performed the best with the largest sales increment, amounting to approximately HK$408 million and representing an increase of approximately 10.6% in sales during this financial year from approximately HK$369 million during the previous financial year. 111 units of Lamborghini were sold, representing an increase of approximately 19.4% as compared with 93 units sold in the previous financial year. Among all models of Lamborghini sold during this financial year, Urus performed the best in terms of revenue and gross profit contribution.

According to the official press release titled "Automobili Lamborghini Continues to Glow: Upward Trend in Q1 2023" on the Lamborghini website dated 8 May 2023, it was reported that Lamborghini Motor Cars delivered 2,623 cars to worldwide in first three months of 2023, which is 3.3% more than that in the same period of 2022.

Bentley recorded a decrease of approximately 7.0% in sales to approximately HK$1,587 million during this financial year, as compared with that of approximately HK$1,706 million in the previous financial year. 455 units of Bentley were sold, representing an increase of 2.9% as compared with 442 units sold in the previous financial year. Among all models of Bentley sold during this financial year, Flying Spur performed the best in terms of revenue and gross profit contributions.

Rolls-Royce recorded a decrease of approximately 13.8% in sales to approximately HK$1,409 million during this financial year, as compared with that of approximately HK$1,634 million in the previous financial year. 202 units of Rolls-Royce were sold, representing a drop of 10.2% as compared with 225 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 contributions.

The overall gross profit of sale of automobiles decreased by approximately 42% during this financial year due to the increase in average cost of goods sold of all of our three auto brands and the decrease in average selling price of Bentley and Lamborghini during the financial year under review.

Revenue of after-sales services recorded an increase of approximately 2.6% during this financial year as compared with that of the previous financial year. The gross profit margin increased from approximately 33.4% in the previous financial year to approximately 50.8% in this financial year.

Non-auto Dealerships

During the financial year under review, the sales of our non-auto dealerships division recorded a decrease in revenue of approximately 3.5% to approximately HK$422.0 million as compared with that of approximately HK$437.5 million in the previous financial year.

Gross profit margin of our non-auto dealerships division decreased during this financial year from approximately 30.3% in the previous financial year to approximately 24.1% in this financial year. The decrease was mainly driven by an increase in write-down on inventories, which include watch, jewellery, fine wine and audio equipment, of approximately HK$28.0 million during the financial year under review.

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 revenue and gross profit contributions during the financial year under review.

In order to further develop the non-auto dealership division, the Group has co-operated with Sichuan Liquor Group, a leading liquor manufacturer and retailer in China, to develop a new series of liquor named "龍拳1979" under our owned branded liquor during this financial year.

Others

During the financial year under review, the revenue from our others division, which includes the provision of property management services and money lending business, recorded a decrease of approximate 10.2% to approximately HK$78.0 million, as compared with that of approximately HK$86.8 million in the previous financial year. The decrease was mainly due to decrease of revenue in the property management business.

Regarding the films and television program investment business, no revenue was generated during this financial year. A film producer of one of our invested films failed to repay the investment principal and relevant return in accordance with the investment agreement and the Group commenced legal actions against the film producer to recover the investment principal and relevant return. The releasing schedules of the rest film investments had also been further postponed due to the previous implementation of precautionary measures against the variants of COVID-19 in the PRC.

Regarding the property management business, the revenue recorded a decrease of approximately 6.3% to approximately HK$76.1 million, as compared with that of approximately HK$81.2 million in the previous financial year. The decrease was due to decrease in sub-lease income during this financial year. Moreover, an impairment on certain sub-lease rental income receivables was made as such have been overdue for more than a half year.

Regarding the money lending business, the revenue recorded an accrued interest income of approximately HK$1.9 million during this financial year (2022: approximately HK$5.7 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 losses 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 (the "**1st Borrower**") 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 1st Borrower and the guarantor on 8 August 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.

The Group received partial payment in instalments in the aggregate sum of HK$24,320,000 during the year, yet the 1st Borrower failed to repay the outstanding instalments, save for the aforesaid payment, and the accrued interests. The Group has resumed the legal actions against the 1st Borrower and the guarantor in the High Court of Hong Kong with a view to recovering the loans and other losses and damages.

As regards the other borrower (the "**2nd Borrower**"), the Group obtained judgments against the 2nd Borrower and his guarantor. For details, please refer to the announcement of the Company dated 20 February 2023. The Group is in the course of enforcing the judgments against them for the recovery of the loan and other losses and damages.

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 2023, 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 3.9% of the total assets of the Group as at 31 March 2023.

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

The share price of B&O dropped to Danish Krone ("**DKK**") 9.72 per share as at 31 March 2023 (31 March 2022: DKK19.35 per share) as quoted on the NASDAQ Copenhagen A/S, representing a decrease of approximately 49.8% during the financial year ended 31 March 2023.

In December 2022, the Group acquired 1,780,000 shares, representing approximately a 2.97% shareholding in New Amante Group Limited (Stock Code: 8412) ("**New Amante**"), a company incorporated in the Cayman Islands whose shares are listed and traded on GEM of the Stock Exchange, for an amount of HK$979,000. In February 2023, the Group further acquired 890,000 shares in New Amante through a rights issue, for a consideration of approximately HK$374,000.

As New Amante intends to develop a high-ended cigar and alcohol lounge and club in Hong Kong, and given the huge demand of cigars globally coupled with an acute shortage of production of high quality cigar production driven by Cuba, the Directors considered that this is a good opportunity to the Group for capital appreciation.

As at 31 March 2023, the Group held 2,670,000 shares (31 March 2022: nil) of New Amante, representing approximately 2.97% of its total issued shares. The carrying amount of this investment represented approximately 0.03% of the total assets of the Group as at 31 March 2023.

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 approximately HK$158 million as at 31 March 2023 (31 March 2022: approximately HK$320 million) represented the Group's strategic investment on B&O and New Amante. 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.

RECENT DEVELOPMENT AND PROSPECT

With the lifting of China's epidemic control measures, although economic activities gradually returned to normal since early 2023 and the Group's automobile sales also recovered simultaneously, the Group will still face certain degree of challenges in automobile business due to the considerable uncertainties in the global economic outlook and the industrial supply chain and China's economic recovery speed is not progressed as expected. It is expected that automobile sales level can be maintained, but there will be downward pressure on profitability.

Regarding the Group's non-auto dealerships segment, a modest decline in sales of B&O products is expected given that market consumption intention is relatively weak as the economy has still not been fully recovered. For the watches, jewellery and fine wines business, we will continue to seek opportunities to further reduce inventories. For the liquor business, the Group remains cautiously optimistic about its own liquor brand "國釀• 耀萊醇釀" while the house decoration items business is still at growth stage.

Regarding other business segments, the property management business is still challenging in the coming year as the real estate market in China is still in recovery. As far as lending business is concerned, the Group has no expansion plans for the next financial year and has given special consideration to the ongoing legal proceedings as described in the "Management Discussion and Analysis" section of this announcement. For the film business, the Group expects that the invested films will be released gradually, and there are no new investment plans for this segment at present.

In conclusion, despite the current challenges, we will continue to operate our business segments prudently in the coming financial year.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 March 2023 was approximately HK$3,997.7 million, representing a decrease of approximately 7.6% as compared with that of approximately HK$4,324.5 million recorded in the previous year. Such decrease was mainly due to the change in the exchange rate on translation from most of the the functional currency (RMB) into a presentation currency (HK$) incurred during the financial year under review and the decrease in sales of automobiles arising from the adoption of a series of lockdown measures against the 2019 coronavirus epidemic in the mainland China, causing logistics restrictions and reduced foot traffic during the first three quarters of the year ended 31 March 2023 (the "**FY2023**"), even though there was a recovery in term of sales of automobiles in the fourth quarter of FY2023. Sales of automobiles were approximately HK$3,404 million (equivalent to RMB2,962 million) in FY2023 while approximately HK$3,709 million (equivalent to RMB3,042 million) were recorded in last financial year (the "**FY2022**"). The table below sets out the Group's revenue for the year indicated:

	FY2023		FY2022		**Changes**	
		Contribution		Contribution		
Revenue Source	***HK$'000***	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*%*
Automobile segment						
Sales of automobiles	**3,404,431**	**85.2%**	3,709,351	85.8%	(304,920)	(8.2%)
Provision of after-sales services	**93,183**	**2.3%**	90,843	2.1%	2,340	2.6%
Sub-total	**3,497,614**	**87.5%**	3,800,194	87.9%	(302,580)	(8.0%)
Non-automobile dealership segment	**422,022**	**10.5%**	437,458	10.1%	(15,436)	(3.5%)
Others	**78,020**	**2%**	86,835	2%	(8,815)	(10.2%)
Total	**3,997,656**	**100%**	4,324,487	100%	(326,831)	(7.6%)

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year ended 31 March 2023 decreased by approximately 32.5% to approximately HK$578.1 million (31 March 2022: approximately HK$856.4 million) while the gross profit margin of the Group for the year ended 31 March 2023 decreased from 19.8% to 14.5%.

The decrease in gross profit was mainly attributable to decrease in gross profit margin of the sales of automobiles caused by the weak market sentiment and keen competition incurred during the financial year under review. The gross profit of the sales of automobiles decreased by approximately HK$255.7 million during the financial year under review.

Other Income, Gains and Losses

Other income, gains and losses was approximately HK$30.6 million losses for the year ended 31 March 2023 (31 March 2022: approximately HK$131.6 million losses). Such change was mainly due to much less impairment of goodwill and absence of written off of other intangible assets in FY2022, which were in relation to property management business. The impairment of goodwill was due to the remaining lease term of the sub-lease project of the cash generating unit of the property management services lapses over time, resulting less future cash flow with decreasing remaining lease term under income approach.

Impairment of Loan Receivables and Loan Interest Receivables

The charge for impairment losses on loan receivables and loan interest receivables of approximately HK$12.7 million, of which approximately HK$10.2 million is for the loan receivables and approximately HK$2.5 million is for the loan interest receivables for the year ended 31 March 2023 (31 March 2022: approximately HK$56.4 million, of which approximately HK$55.5 million is for the loan receivables and approximately HK$0.9 million is for the loan interest receivables).

The charge for impairment losses was measured based on the requirement under HKFRS 9 and was mainly represented a further impairment made to 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.

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 years ended 31 March 2023 and 2022.

As at 31 March 2023, the carrying amount of loan receivables was nil (31 March 2022: HK$34.5 million) net of HK$65.6 million accumulated impairment (31 March 2022: HK$55.5 million). During the financial year under review, an impairment loss of approximately HK10.2 million have been recognised for the year ended 31 March 2023 (31 March 2022: HK$55.5 million). The calculation of the impairment losses was based on the exposure of default multiplied by probability of default ("**PD**") and multiplied the loss given default ("**LGD**"). According to Masterpiece, PD was reference with published credit rating and 100% LGD was applied to the expected credit loss calculation of both of the borrowers as they failed to repay their loans during the year under review. Other than that, there was no significant change to the basis, assumptions and inputs adopted in the ECL assessment for the year ended 31 March 2023 as compared with the year ended 31 March 2022.

Impairment of trade receivables

The charge for impairment losses on trade receivables of approximately HK$5.9 million for the year ended 31 March 2023 (31 March 2022: nil).

The charge for impairment losses represented an impairment made to certain sub-lease rental income receivables as such have been overdue for more than a half year, of which legal proceedings have been instituted by the Group.

There was no significant change to the basis, assumptions and inputs adopted in the ECL assessment for the year ended 31 March 2023 as compared with the year ended 31 March 2022.

The calculation of the impairment losses was based on the exposure of default multiplied by PD and multiplied the LGD.

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 decreased by approximately 19.1% from approximately HK$504.5 million to approximately HK$408.3 million. The decrease was mainly due to the decrease in marketing and promotion expenses.

Administrative expenses

The administrative expenses increased by approximately 3.2% from approximately HK$81.7 million to approximately HK$84.3 million. The changes were mainly due to recognition of one-off equity-settled share option expenses for staff in August 2022 with a total amount of approximately HK$9.9 million, such expenses were non-cash nature, but partly offset by the decrease in amortisation of other intangible assets in this financial year.

Finance Costs

The finance costs of the Group increased by approximately 32.5% from approximately HK$72.6 million in the previous financial year to approximately HK$96.3 million in this financial year. The increase was due to the increase in borrowing to finance the purchase of automobiles inventories during this financial year and the acquisition of the property used by the Group as showrooms and office in the second half of last financial year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2023 were approximately HK$3,985.9 million (31 March 2022: approximately HK$4,727.7 million) which were mainly financed by the total equity and the total liabilities of approximately HK$2,227.9 million (31 March 2022: approximately HK$2,725.3 million) and approximately HK$1,758.0 million (31 March 2022: approximately HK$2,002.4 million) respectively.

Cash Flow

The Group's cash at banks and in hand as of 31 March 2023 were approximately HK$146.7 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 change in value of the Group's cash at banks and in hand was mainly due to the differences in exchange translation incurred during the financial year under review.

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 2023 were approximately HK$1,208.5 million (31 March 2022: approximately HK$1,389.5 million). During the year, the Group acquired items of property, plant and equipment at a total cost of approximately HK$63.3 million (31 March 2022: approximately HK$499.2 million), and a net carrying amount of approximately HK$10.8 million of property, plant and equipment were disposed of during this financial year (the net carrying amount for the year ended 31 March 2022: approximately HK$10.0 million).

Investment properties

The Group's investment properties as at 31 March 2023 were approximately HK$393.9 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 year under review.

Goodwill

The Group's goodwill as at 31 March 2023 was approximately HK$302.3 million (31 March 2022: approximately HK$333.2 million). The decrease in goodwill was mainly due to the differences in exchange translation and the impairment of goodwill on property management business incurred during this financial year.

Loan Receivables

The Group's loan receivables as at 31 March 2023 were nil (31 March 2022: HK$34.4 million). The decrease in value was attributable to the repayment from one of the borrowers and impairment arising from the loans default during this financial year.

Borrowings

The Group's borrowings as at 31 March 2023 were approximately HK$996.9 million, representing a decrease of approximately 6.4% 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 repayment of the borrowings during this financial year.

Gearing Ratio

The Group's gearing ratio computed as total borrowings and convertible bonds over total equity increased to approximately 45.2% as at 31 March 2023 (31 March 2022: approximately 39.4%).

Inventories

As at 31 March 2023, the Group's inventories decreased by approximately 9.7% from approximately HK$1,361.2 million as at 31 March 2022 to approximately HK$1,229.8 million. Such decrease was primarily due to the decrease in automobile inventories which comprised approximately 55.7% of the inventories of the Group. The Group's average inventory turnover days increased from 109 days in the year ended 31 March 2022 to 139 days in the year ended 31 March 2023.

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 2023 and 2022, 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 2023 (31 March 2022: nil). The Board considered that the Group had no material capital commitment as at 31 March 2023 in respect of acquisition of property, plant and equipment (31 March 2022: nil).

Charges on Assets

As at 31 March 2023, land and building, investment property, pledged deposits and inventories of the Group with aggregate carrying amounts of approximately HK$942.1 million (31 March 2022: approximately HK$683.4 million), approximately HK$42 million (31 March 2022: nil), approximately HK$75.2 million (31 March 2022: approximately HK$84.1 million) and approximately HK$610.3 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 31 March 2023, the Group had 456 (31 March 2022: 453) employees. Staff costs (including directors' emoluments and the one-off equity-settled share option expenses) charged to profit or loss amounted to approximately HK$84.2 million for this financial year (2022: approximately HK$70.2 million).

The Group provided benefits, which included basic salary, commission, discretionary bonus, medical insurance, retirement funds and equity-settled share-based payments 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.

Significant Acquisition

On 10 January 2023, 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 26.1% of the entire equity interest in the 北京文福新天地置業有限公司 (Beijing Wenfu Xin Tian Di Real Estate Co., Ltd.*) (formerly known as 天津文福新天地置業有限公司 (Tianjin Wenfu Xin Tian Di Real Estate Co., Ltd.*)) (the "**Target Company**") at a consideration of RMB81.56 million. Beijing 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*).

Upon completion, the equity interest in the Target Company held by the Purchaser increased from 70.4% to 96.5%. The financial results of the Target Company continues to be consolidated as a non-wholly owned subsidiary in the accounts of the Group.

For details, please refer to the announcement of the Company dated 10 January 2023. The acquisition was completed on 18 January 2023.

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 losses 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 was executed by the Lender, the 1st Borrower and the guarantor on 8 August 2022.

The Group received partial payment in instalments in the aggregate sum of HK$24,320,000 during the year, yet the 1st Borrower failed to repay the outstanding instalments, save for the aforesaid payment, and the accrued interests. The Group has resumed the legal actions against the 1st Borrower and the guarantor in the High Court of Hong Kong with a view to recovering the loans and other losses and damages.

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 losses and damages.

The Lender has on 6 December 2022 obtained a sealed judgment against the 2nd Borrower for the claims of the 2nd Loan and interest accrued thereon. The Lender has further on 17 February 2023 obtained a sealed judgment against the guarantor for the claims of the 2nd Loan and interest accrued thereon. The Group is in the course of enforcing the judgements against the 2nd Borrower and the guarantor for the recovery of the 2nd Loan and other losses and damages.

The legal proceedings are ongoing and the Company will make further announcement on the status of any material development of this event as and when appropriate.

For details, please refer to the announcements of the Company dated 22 March 2021, 29 April 2022, 8 December 2022 and 20 February 2023.

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.

SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE

On 23 November 2022, the Company announced that the Board proposed to implement: (a) 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; and (b) the change of board lot size from 8,000 pre-consolidated Shares to 2,000 Consolidated Shares upon the share consolidation becoming effective. The Share Consolidation was approved by the Shareholders at the special general meeting of the Company held on 6 January 2023, and became effective on 10 January 2023. Details of the above were disclosed in the announcements of the Company dated 23 November 2022 and 6 January 2023 and the circular of the Company dated 9 December 2022.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2023 (31 March 2022: nil) while no interim dividend (2022: 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 2023, 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 2023 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. Mr. Ma Chao has retired as an executive Director and ceased to be a Co-Chairman of the Board with effect from 16 June 2023 upon expiration of his service contract with the Company. Immediately following Mr. Ma's cessation as a Co-Chairman of the Board, Mr. Zheng Hao Jiang becomes the sole chairman of the Board. The Board believes that vesting of the roles of both 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 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.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company is scheduled to be held at 4:30 p.m. on 5 September 2023 at 26/F, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong and a notice of annual general meeting will be published and despatched in due course.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

With effect from 29 May 2023, the principal place of business of the Company in Hong Kong has been changed to 23/F, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong. All telephone and facsimile numbers of the Company will remain unchanged.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 31 August 2023 (Thursday) to 5 September 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 30 August 2023 (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 2023 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 2023 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 opinion or assurance conclusion 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 2023, 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 2023 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 is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.hk970.com.

The annual report of the Company for the year ended 31 March 2023 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the website of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 June 2023

As at the date of this announcement, the Company has three executive Directors and five independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, 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*