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SPARKLE ROLL GROUP LIMITED
耀萊集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 970)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

RESULTS

The Board of directors (the "**Board**" or "**Directors**") of Sparkle Roll Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 March 2017, together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	4	**2,781,222**	2,376,904
Cost of sales		**(2,450,338)**	(2,187,801)
Gross profit		**330,884**	189,103
Other income and net gains	5	**69,500**	122,379
Selling and distribution costs		**(233,983)**	(229,577)
Administrative expenses		**(60,270)**	(65,772)
Operating profit	6	**106,131**	16,133
Finance costs	7	**(15,725)**	(49,326)
Share of profit of an associate		**507**	–
Profit/(loss) before income tax		**90,913**	(33,193)
Income tax expense	8	**(1,162)**	(487)
Profit/(loss) for the year		**89,751**	(33,680)
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		**(33,647)**	(24,541)
Share of other comprehensive income of an associate		**(85)**	–
Other comprehensive income for the year, net of tax		**(33,732)**	(24,541)
Total comprehensive income for the year		**56,019**	(58,221)
Profit/(loss) for the year attributable to:			
Owners of the Company		**87,845**	(32,328)
Non-controlling interests		**1,906**	(1,352)
		89,751	(33,680)
Total comprehensive income attributable to:			
Owners of the Company		**55,674**	(56,386)
Non-controlling interests		**345**	(1,835)
		56,019	(58,221)
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted	10	**HK2.6 cents**	HK(1.1) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**91,355**	107,023
Goodwill	*11*	**206,171**	206,171
Other intangible asset		**472**	550
Investment in an associate	*12*	**660,075**	–
Amount due from a non-controlling interest		**–**	2,320
Rental deposits paid to a related party		**15,101**	17,554
		973,174	333,618
Current assets			
Inventories		**923,554**	1,000,203
Trade receivables	*13*	**6,654**	8,527
Deposits, prepayments and other receivables		**176,807**	152,350
Amounts due from related parties		**15,622**	18,677
Amount due from a non-controlling interest		**–**	9,281
Pledged deposits		**72,240**	55,686
Restricted bank balance		**6,180**	–
Cash at banks and in hand		**192,103**	157,164
		1,393,160	1,401,888
Current liabilities			
Trade payables	*14*	**19,931**	27,444
Receipts in advance, accrued charges and other payables		**154,680**	129,545
Amounts due to non-controlling interests		**1,578**	1,284
Amounts due to related parties		**1,085**	–
Provision for taxation		**3,768**	3,458
Borrowings		**396,377**	488,740
		577,419	650,471
Net current assets		**815,741**	751,417
Total assets less current liabilities		**1,788,915**	1,085,035

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Other payables		**258**	273
Deferred tax liabilities		**830**	1,036
		1,088	1,309
Net assets		**1,787,827**	1,083,726
EQUITY			
Equity attributable to owners of the Company			
Share capital		**8,282**	5,959
Reserves		**1,765,712**	1,050,219
		1,773,994	1,056,178
Non-controlling interests		**13,833**	27,548
Total equity		**1,787,827**	1,083,726

NOTES

1 BASIS OF PREPARATION

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

The financial statements have been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in preparation of the 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 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new and revised HKFRSs – First effective on 1 April 2016

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The adoption of these new and revised HKFRSs had no material impact on how the results and financial positions for the current and prior years have been prepared and presented.

(b) New and revised HKFRSs in issue but not yet effective

The following are new and revised HKFRSs that have been issued and are potentially relevant to the Group's operations but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 – Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases* and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Total operating lease commitments of the Group in respect of rented premises as at 31 March 2017 amounted to HK$313,863,000. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's financial performance but it is expected that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the consolidated statement of financial position.

The Group will apply the above new and revised HKFRSs when they become effective. The Group is in the process of making an assessment of the impact of the above new and revised HKFRSs. Except as described above, the directors do not anticipate that the application of other new and revised HKFRSs will have a material impact on the Group's financial statements.

3. 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) Automobiles – Distribution of branded automobiles, namely Bentley, Lamborghini and Rolls-Royce and provision of related after-sales services;

(ii) Branded watches and jewelleries – Distribution of branded watches, namely Richard Mille, DeWitt, Parmigiani, DeLaCour and Buben & Zorweg, and distribution of branded jewelleries, namely Boucheron and Royal Asscher; and

(iii) Others – Distribution of certain brands of fine wines, audio equipment, menswear apparels and accessories and cigars and smoker's accessories.

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.

	2017			
	Automobiles	Branded watches and jewelleries	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**2,519,181**	**126,469**	**135,572**	**2,781,222**
Other income and net gains	**60,467**	**2,803**	**3,475**	**66,745**
Reportable segment revenue	**2,579,648**	**129,272**	**139,047**	**2,847,967**
Reportable segment results	**165,722**	**(12,531)**	**(7,957)**	**145,234**
Amortisation of other intangible asset	**–**	**(78)**	**–**	**(78)**
Depreciation of property, plant and equipment	**(18,585)**	**(714)**	**(1,827)**	**(21,126)**
Write-down of inventories	**(176)**	**–**	**(5,608)**	**(5,784)**
Reversal of write-down of inventories	**2,627**	**–**	**–**	**2,627**
Operating lease payments in respect of rented premises	**(42,947)**	**(18,777)**	**(17,413)**	**(79,137)**
Reportable segment assets	**1,190,756**	**277,026**	**190,346**	**1,658,128**
Investment in an associate				**660,075**
Cash at banks and in hand				**36,918**
Deposits, prepayments and other receivables				**2,966**
Other corporate assets:				
– financial assets				**4,450**
– non-financial assets				**3,797**
Consolidated total assets				**2,366,334**
Additions to non-current segment assets during the year	**12,100**	**361**	**3,185**	**15,646**
Reportable segment liabilities	**125,505**	**8,779**	**38,112**	**172,396**
Borrowings				**396,377**
Other corporate liabilities:				
– financial liabilities				**5,136**
– non-financial liabilities				**4,598**
Consolidated total liabilities				**578,507**

	2016			
	Automobiles	Branded watches and jewelleries	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	2,178,862	127,197	70,845	2,376,904
Other income and net gains	64,430	12,746	14,095	91,271
Reportable segment revenue	2,243,292	139,943	84,940	2,468,175
Reportable segment results	53,185	(22,282)	(14,023)	16,880
Amortisation of other intangible asset	–	(78)	–	(78)
Depreciation of property, plant and equipment	(24,289)	(421)	(1,035)	(25,745)
Write-down of inventories	(2,963)	–	–	(2,963)
Operating lease payments in respect of rented premises	(45,334)	(38,784)	(30,186)	(114,304)
Sub-lease income	–	10,871	10,445	21,316
Reportable segment assets	1,155,480	384,823	181,934	1,722,237
Cash at banks and in hand				657
Deposits, prepayments and other receivables				3,846
Other corporate assets:				
– financial assets				4,827
– non-financial assets				3,939
Consolidated total assets				1,735,506
Additions to non-current segment assets during the year	3,425	235	127	3,787
Reportable segment liabilities	105,044	23,912	27,658	156,614
Borrowings				488,740
Other corporate liabilities:				
– financial liabilities				1,932
– non-financial liabilities				4,494
Consolidated total liabilities				651,780

Unallocated corporate income mainly comprised income from advertising, exhibitions and other services, consultancy and referral fee income and gain on disposals of property, plant and equipment. Unallocated corporate expenses mainly comprised employee benefits expense (including directors' emoluments), operating lease expenses, auditor's remuneration and other centralised administrative costs of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

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

	2017	2016
	HK$'000	*HK$'000*
Reportable segment results	**145,234**	16,880
Bank interest income	**586**	1,869
Unallocated corporate income	**2,169**	28,871
Net realised gains on derivative financial instruments	**–**	368
Share of profit of an associate	**507**	–
Unallocated corporate expenses	**(41,858)**	(31,855)
Finance costs	**(15,725)**	(49,326)
Profit/(loss) before income tax	**90,913**	(33,193)

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments ("**specified non-current assets**"). The geographical location of customers is based on the location at which the goods were delivered or the services were provided. The geographical location of goodwill, other intangible asset and investment in an associate is based on the entities' area of operation while that of other non-current assets is based on the physical location of the assets. Management determines that the Group is domiciled in Mainland China and Hong Kong, which are the Group's principal operating locations.

The geographical analysis of revenue from external customers and specified non-current assets are as follows:

	Revenue from external customers		Specified non-current assets	
	2017	2016	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mainland China and Hong Kong (domicile)	**2,658,778**	2,255,102	**297,526**	313,194
Malaysia	**122,444**	121,802	**472**	550
Denmark	**–**	–	**660,075**	–
	2,781,222	2,376,904	**958,073**	313,744

4. REVENUE

The Group's principal activities are sale of automobiles, branded watches and jewelleries and other merchandised goods and provision of automobile related after-sales services. Revenue from the Group's principal activities recognised during the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Sale of automobiles	**2,395,631**	2,041,611
Sale of branded watches and jewelleries	**126,469**	127,197
Sale of other merchandised goods	**135,572**	70,845
Income from provision of after-sales services	**123,550**	137,251
	2,781,222	2,376,904

5. OTHER INCOME AND NET GAINS

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**586**	1,869
Bonus from suppliers	**14,281**	26,378
Net realised gains on derivative financial instruments	**–**	368
Gain on disposals of property, plant and equipment	**1,514**	2,679
Income from advertising, exhibitions and other services	**7,044**	14,481
Income from insurance brokerage	**41,617**	31,468
Sub-lease income	**–**	21,316
Consultancy and referral fee income^	**–**	19,512
Management fee income	**1,160**	1,808
Administrative fee income	**357**	–
Others	**2,941**	2,500
	69,500	122,379

^ The amount for the year ended 31 March 2016 represented income from provision of consultancy and referral services in relation to an overseas distribution right of a motion picture.

6. OPERATING PROFIT

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

	2017	2016
	HK$'000	*HK$'000*
Amortisation of other intangible asset#	**78**	78
Auditor's remuneration	**1,680**	1,550
Cost of inventories recognised as expense, including	**2,411,756**	2,180,163
– Write-down of inventories	**5,784**	2,963
– Reversal of write-down of inventories	**(2,627)**	–
Depreciation of property, plant and equipment##	**21,948**	26,560
Exchange differences, net	**2,096**	945
Net realised gains on derivative financial instruments###	**–**	(368)
Gain on disposals of property, plant and equipment	**(1,514)**	(2,679)
Operating lease payments in respect of rented premises	**91,813**	127,374
Employee benefit expense	**45,603**	44,128

Amortisation of other intangible asset has been included in administrative expenses.

Depreciation of approximately HK$20,455,000 and HK$1,493,000 (2016: HK$22,560,000 and HK$4,000,000) have been included in selling and distribution costs and administrative expenses respectively.

The amount has been included in other income and net gains.

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans and overdraft	**11,327**	31,309
Interest on other loans	**4,398**	18,017
	15,725	49,326

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

The Group's subsidiaries in Mainland China are subject to income tax at the rate of 25% except that a subsidiary is entitled to tax exemption for the year ended 31 March 2017.

Income tax of certain subsidiaries of the Company in Malaysia is charged at 3% on the assessable profit for the year or a fixed amount of Malaysian Ringgit 20,000, whichever is lower.

	2017	2016
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
Charge for the year	**–**	50
Under-provision in prior years	**322**	–
– Other jurisdictions		
Charge for the year	**148**	398
Under-provision in prior years	**898**	49
Total current tax	**1,368**	497
Deferred tax	**(206)**	(10)
Total income tax expense	**1,162**	487

Reconciliation between income tax expense and accounting profit/(loss) at applicable tax rates:

	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) before income tax	**90,913**	(33,193)
Tax calculated at domestic tax rates applicable to profit or loss in the respective jurisdictions	**32,005**	(1,717)
Effect of tax exemption granted to a subsidiary	**(34,095)**	–
Tax effect of non-taxable revenue	**(6)**	(18)
Tax effect of non-deductible expenses	**1,237**	1,651
Tax effect of unused tax losses not recognised	**5,167**	3,470
Tax effect of temporary differences not recognised	**86**	741
Tax effect of utilisation of tax losses previously not recognised	**(1,646)**	(644)
Tax effect of utilisation of deductible temporary differences previously not recognised	**(2,722)**	(3,045)
Tax effect of share of profit of an associate	**(84)**	–
Under-provision of income tax in prior years	**1,220**	49
Income tax expense	**1,162**	487

9. DIVIDEND

No dividend was paid, declared or proposed by the Group in respect of the years ended 31 March 2017 and 2016.

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit attributable to owners of the Company of approximately HK$87,845,000 (2016: loss attributable to owners of the Company of approximately HK$32,328,000) by the weighted average of 3,317,114,634 (2016: 2,979,828,850) ordinary shares in issue during the year ended 31 March 2017.

Diluted earnings/(loss) per share are the same as basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence during the years.

11. GOODWILL

The net carrying amount of goodwill can be analysed as follows:

	2017	2016
	HK$'000	*HK$'000*
Gross carrying amount	**580,679**	580,679
Accumulated impairment	**(374,508)**	(374,508)
Net carrying amount	**206,171**	206,171

The carrying amount of goodwill, net of any allowance for impairment, is allocated to the cash-generating unit (the "**CGU**") of the automobile business (the "**Automobiles CGU**").

The recoverable amount of the Automobiles CGU was determined based on the value-in-use calculation using pre-tax cash flow projections from formally approved budgets covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at zero percent growth, which do not exceed the long-term growth rate for the business in which the Automobiles CGU operates. The growth rate reflects the long-term estimated average growth rates for the product lines of the CGU.

The key assumptions for the value-in-use calculations are:

	2017	2016
Growth rate after five-year period	**0%**	0%
Discount rate	**14.2%**	14.7%

The key assumptions have been determined based on past performance and its expectations for the market's share after taking into consideration published market forecast and research. The discount rates used are pre-tax and reflect specific risks relating to the Automobiles CGU.

Apart from the considerations described in determining the value-in-use of the Automobiles CGU above, the Group's management is not currently aware of any other possible changes that would necessitate changes in its key estimates.

12. INVESTMENT IN AN ASSOCIATE

Particulars of the associate are as follows:

Name	**Place/country of incorporation and kind of legal entity**	**Issued and paid up capital**	**Percentage of effective interest held by the Company**	**Principal activities**
Bang & Olufsen A/S ("**B&O**")	Denmark, limited liability company	Danish Krone 431,974,780	15.09%*	Design, manufacture, market and sale of branded audio and visual consumer electronics products

* The Group completed its acquisition of approximately 15.09% shareholding in B&O on 16 December 2016. With the Group's presence on the board of directors of B&O and participation in the financial and operating policies decisions of B&O, the Directors consider that the Group could exercise significant influence over B&O and accordingly the investment is accounted for as an associate.

B&O is a listed entity in Denmark and the fair value of the Group's interest in B&O is approximately HK$704,612,000 as at 31 March 2017.

B&O's most recently available and published financial information were drawn up to 28 February 2017. In applying the equity method to prepare the consolidated financial statements, the Group has used the financial information of B&O for the three months ended 28 February 2017 as contained in B&O's published interim report dated 7 April 2017 ("**B&O interim financial information**"), taking into account any differences in accounting policies as adopted by the Company and B&O and any significant events or transactions of B&O in the fifteen days pre-acquisition period included in B&O's interim financial information and in March 2017. As such, the Group has taken advantage of the provision contained in HKAS 28 *Investments in Associates and Joint Ventures* whereby it is permitted to include the attributable share of associates' results based on accounts drawn up to a non-coterminous period end where the difference must be no greater than three months.

13. TRADE RECEIVABLES

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 21 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:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**1,161**	1,736
31 – 120 days	**100**	1,077
Over 120 days	**5,393**	5,714
	6,654	8,527

The ageing analysis of the Group's trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**6,654**	7,450
Not more than 1 month past due	**–**	1,077
	6,654	8,527

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

Trade receivables that were past due but not impaired relate to certain independent customer which owns a good financial background. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as the balances were settled subsequently and there has been no recent history of default.

14. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**13,199**	14,865
31 – 60 days	**2,739**	952
61 – 90 days	**2,477**	2,206
Over 90 days	**1,516**	9,421
	19,931	27,444

Included in the trade payables is an amount due to an associate of HK$10,847,000 as at 31 March 2017.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor has expressed a qualified opinion in its auditor's report on the Group's consolidated financial statements for the year ended 31 March 2017, an extract of which is as follows:

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As stated in note 19 to the consolidated financial statements, the Group has applied the equity method to account for its investment in an associate, Bang & Olufsen A/S ("**B&O**"), a Denmark listed entity. The investment was acquired on 16 December 2016. In applying the equity method to prepare the consolidated financial statements, the Group has used the financial information of B&O for the three months ended 28 February 2017 as contained in B&O's published interim report dated 7 April 2017 ("**B&O's interim financial information**"). As noted in the interim report, B&O's interim financial information was prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**") as endorsed by the European Union ("**EU**"). In the application of the equity method, the Company's management has assessed whether there should be adjustments for differences in accounting policies as adopted by the Company and B&O, and for any significant events or transactions of B&O in the fifteen days pre-acquisition period included in B&O's interim financial information and in March 2017 ("**significant events or transactions adjustments**"). The Group's share of profit and the carrying amount of the investment in B&O included in the Group's consolidated financial statements for the year ended 31 March 2017 amounted to HK$507,000 and HK$660,075,000 respectively.

In accordance with Hong Kong Standard on Auditing 600 *Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)*, B&O is identified as a significant component of the Group due to its individual financial significance to the Group. Accordingly, as part of our audit, we shall perform an audit on the financial information of B&O which is included in the consolidated financial statements.

During the course of our audit, we were denied access to the systems, books and records, management, and the auditors of B&O because such access is restricted by certain rules and regulations in Denmark relating to disclosure of inside information. As there were no other satisfactory audit procedures that we could adopt, we were unable to obtain sufficient appropriate audit evidence as to whether B&O's interim financial information has been presented fairly, in all material respect, in accordance with IAS 34 as endorsed by the EU and whether the significant events or transactions adjustments have been properly assessed, and as a result whether the carrying amount of the Group's investment in B&O as at 31 March 2017 and the Group's share of B&O's results for the period from 16 December 2016 to 31 March 2017 as included in the Group's consolidated financial statements were fairly stated. Also, due to this limitation on our scope of work, we have not obtained sufficient audit evidence relating to the disclosures about B&O's financial information. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Any adjustments that might have been found to be necessary in respect of the carrying amount of the investment in B&O as at 31 March 2017 would have a consequential effect on the Group's net assets as at 31 March 2017, and the Group's profit for the year then ended and related disclosures in these financial statements.

CHAIRMAN'S STATEMENT

2017 is going to be a year full of uncertainties and changes due to the change of the US government, the Brexit process and the increase of US interest rate. During the opening of the annual National People's Congress in Beijing on 5 March 2017, Premier Li Keqiang mentioned that China is targeting a growth of 6.5% in 2017, slightly lower than last year's actual 6.7 percent rate, which is the lowest in 26 years. On 16 January 2017, the International Monetary Fund upgraded its growth forecast for China's economy in 2017 to 6.5%, which is 0.3% points higher than their October forecast due to the expectations for continued government stimulus. The fund also forecasted that China's economy would grow 6% in 2018, which is in line with the October report.

During this financial year, the Group's revenue increased from HK$2.377 billion to HK$2.781 billion. Gross profit for the financial year increased from HK$189.1 million to HK$330.9 million. The automobile business was still a major income driver, accounting for approximately 90.6% of our business. Net profit for the year attributable to owners of the Company of HK$87.8 million was recorded in this financial year compared with a net loss of HK$32.3 million in the last financial year.

In view of the improved performance of our automobile segment and the Group's effective cost-cutting strategies during the financial year under review, the Board estimated to record a profit and had issued a positive profit alert and possible modification to audit opinion announcement on 4 May 2017.

China's Luxury Goods & Automobiles Markets

There are quite a few ongoing updates and research reports from reputable authorities, investment banks and global research houses mentioning the slowdown of China's luxury goods market. According to the "Luxury Goods Worldwide Market Study, Fall-Winter 2016" issued by Bain & Company on 28 December 2016, China's luxury market contracted to €17 billion in 2016, representing a 2% decline. However, the market grew 4% at constant exchange rates in 2016, the first sign of revitalization in 3 years. In China, consumers started buying again in their home market, but that was not enough to offset a dip in purchases by Chinese travelers abroad. A key factor in this shift is due to tighter customs controls to limit foreign shopping in an effort to fight the "grey market" of unauthorized sales and stimulate domestic consumption. As a result, China's overall share of global luxury goods purchases declined slightly from 31% to 30 %. In the long run, China still remains an engine of growth for luxury goods as the country's middle class continues to grow in size and purchasing power. The behavior of Chinese consumers epitomizes a larger global trend: the re-localization of luxury. In 2016, the growth of local luxury purchases exceeded that of tourist purchases by 5%, the first time that has happened since 2001. The report also reveals online sales have shown especially strong growth in the personal luxury goods market, increasing nearly 20-fold from 2003 to 2016, to the current level of €19 billion (or 8% of the total). In 2016 alone, the market for online luxury goods grew 13%, significantly outperforming the rest of the personal luxury goods market.

According to a report titled "Global Powers of Luxury Goods" as published by Deloitte Touche Tohmatsu, a multinational professional services firm on 16 May 2017, reported that consumers in emerging markets continue to drive luxury market growth. In China, Russia and United Arab Emirates which markets were categorized as emerging luxury markets, the percentage of consumers claiming to have increased their spending stood at 70%, compared to 53% in the more mature markets including EU, US and Japan. Mainland China continues to experience a slowdown in luxury goods spending, with economic uncertainty dampening consumer confidence and the central government's crackdown on luxury gifts in the corporate sector continues to have an impact. Nevertheless, demand remains steady among the country's expanding middle class, with their increasing disposable incomes, as they continue to buy better quality products and showcase their social status. In addition, as in other emerging markets, prices of luxury goods in China are being adjusted downwards to bring them in line with global markets. This is encouraging more Chinese consumers to purchase luxury brands in their domestic market.

Despite the slowdown of the China luxury goods market, China is still going to be the biggest luxury car market. According to an article titled ‘German giants do battle in luxury sector” issued by ChinaDaily.com.cn on 27 February 2017, premium car brands had a bumper year in the country in 2016, with combined sales of the top 10 marques reaching 2.18 million cars, a 17.15% surge year-on-year. The three German giants – Audi, BMW and Mercedes-Benz – consolidated their top-three positions in China’s premium car market, accounting for 72.5% of the top 10 brands’ total sales.

Jake Lingeman, Road Test Editor at Autoweek, an American fortnightly automotive enthusiast publication based in Detroit, Michigan commented supercar sales have not slowed in China, despite President Xi Jinping’s attack on conspicuous consumption a few years back according to an article named “Luxury sales skyrocket in China, despite austerity measures” issued on 20 April 2017. Jake also stated that China is expected to be the biggest luxury-car market in two years. Additionally, supercar brands are also positive towards the China luxury car market and recorded doubled sales in the country in 2016 including Reid Bigland, head of Fiat Chrysler Automobile’s Maserati and Alfa Romeo divisions. Another supercar giant, Aston Martin said it would hit its target of selling 270 cars in 2017 compared to 170 in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Automobile Dealerships

During the year, revenue of the ultra-luxury automobile distributorships of Bentley, Lamborghini and Rolls-Royce recorded an approximate 17.3% increase to HK$2.396 billion, compared with HK$2.042 billion in the previous financial year. Of our 3 brands, Bentley and Rolls-Royce recorded sales grow while Lamborghini recorded sales drop. Bentley had performed the best among the Group’s other brands with total sales of approximately HK$1.4 billion, representing a 24% increase in sales compared with HK$1.125 billion during the previous financial year. A total of 385 units of Bentley were sold, representing an increase of 20% compared with 322 in the corresponding financial year previously. Among all models on sale of Bentley during the current financial year, Flying Spur was recorded the most in both revenue and units sold, while the new SUV model, Bentayga performed the best in terms of gross profit contribution.

According to the articles titled “Gains in Europe and UK while Americas remains biggest selling region” under Bentley official website issued on 12 January 2017, Bentley Motors delivered 11,023 cars in 2016, a record high and the company’s fourth consecutive year about 10,000 cars. This represents a positive percent growth on the performance of 2015 (10,100 cars). The brilliant results were due to the launch of Bentley Bentayga, the world’s first luxury SUV, which reached all global markets during 2016, played a key role in this success. The brand’s Chairman and CEO, Wolfgang Durheimer is positive in the coming future and mentioned the brand’s focus was to continue to invest in new sector-defining luxury cars, innovative technologies and play a leading role in defining the future of luxury mobility.

Rolls-Royce recorded a 14% increase in sales to HK$833.1 million during this financial year, compared with HK$733.4 million in the previous financial year. At the same time, a total of 149 units of Rolls-Royce were sold, representing an increase of 18% compared with 126 in the previous financial year. Among all models on sale of Rolls-Royce during the current financial year, Ghost performed the best in terms of revenue and gross profit contribution.

Lamborghini recorded a decline in sales during this financial year with a total of HK$162.6 million, representation 11% drop compared with that of HK$182.7 million recorded in the previous financial year. A total of 42 units of Lamborghini were sold, representing an increase of 5% compared with 40 in the corresponding financial year previously. It was due to the decrease in sale of Aventador but increase in sale of Huracan. Among all models on sale of Lamborghini during the current financial year, Huracan performed the best in terms of revenue and gross profit contribution.

Gross profit margins of sale of Bentley and Rolls-Royce improved significantly, while the Group continued enjoying bonus from the brands.

Revenue of after-sales services recorded a decline of 10% during this financial year as compared with the previous financial year. A slight increase in gross profit on after-sales services was recorded in this financial year. Accordingly, the gross profit margin increased from 46.6% to 52.2% in this financial year.

Watch Dealerships & Jewellery Distributorships

During the year, the sales of our super deluxe branded watch division recorded a decline in revenue of approximately 6.1% to approximately HK$106.2 million as compared with approximately HK$113.1 million in the previous financial year. Among all models on sale during the current financial year, Richard Mille's RM011 performed the best in terms of revenue contribution.

Sales of top-tier branded jewellery division improved in terms of both quantity and sales amount and recorded sales revenue of HK$20.3 million as compared with HK$14.1 million in the last financial year. Among all models on sale during the current financial year, Boucheron's QUATRE COLLECTION performed the best in terms of revenue contribution.

314 units of watches and objects of time were sold in this financial year compared with 194 pieces in the previous financial year. Brands included Richard Mille, Parmigiani, DeWitt, DelaCour and Buben & Zorweg.

527 pieces of jewellery division were sold during this financial year compared with 419 pieces in the previous financial year. Brands included Boucheron and Royal Asscher.

Gross profit margin of watch division declined during the current financial year from 18.8% in the last financial year to 15.3% in the current financial year while gross profit margin of jewellery division decreased from 43.1% in the previous financial year to 34.5% in the current financial year.

Among all the watches and jewellery brands under our Group, Richard Mille performed the best in terms of revenue and gross profit.

Others

During the current financial year, the sales performance of this division performed satisfactorily with revenue recorded an approximate 91.4% increase to approximately HK$135.6 million, as compared with approximately HK$70.8 million in the previous financial year. The huge growth was driven by sales of audio equipment and menswear apparel and accessories.

Among all brands under this division including fine wine, audio equipment, menswear apparel and accessories and tobacco products, B&O PLAY performed the best in term of revenue and gross profit. Among all models on sale during the current financial year, A9 and H5 of B&O PLAY performed the best in terms of revenue contribution.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 March 2017 was approximately HK$2,781.2 million, representing a increase of approximately 17% as compared with approximately HK$2,376.9 million recorded in the last year. The increase was due to the increase of the revenue generated from the automobile segment after the launch of a new model of Bentley SUV, Bentayga as well as significant improvement in sales of Rolls-Royce. The table below sets out the Group's revenue for the year indicated:

	FY2017		FY2016		Changes	
		Contribution		Contribution		
Revenue Source	***HK$'000***	***(%)***	*HK$'000*	*(%)*	*HK$'000*	%
Sales of automobiles	**2,395,631**	**86.1%**	2,041,611	85.9%	354,020	17.3%
Income from provision of after-sales services	**123,550**	**4.5%**	137,251	5.8%	(13,701)	(10.0%)
Sub-total	**2,519,181**	**90.6%**	2,178,862	91.7%	340,319	15.6%
Sales of branded watches and jewelleries	**126,469**	**4.5%**	127,197	5.3%	(728)	(0.6%)
Others	**135,572**	**4.9%**	70,845	3.0%	64,727	91.4%
TOTAL	**2,781,222**	**100%**	2,376,904	100%	404,318	17.0%

Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 31 March 2017 increased by 75.0% to approximately HK$330.9 million (2016: HK$189.1 million). The increase was mainly due to the increase in the gross profit from sales of automobile and increase in bonus from suppliers by in total of approximately 1.7 times; and the increase in the gross profit from sales of audio equipments by 104%.

The gross profit margin of the Group for the year ended 31 March 2017 increased from 8.0% in the last financial year to 11.9%. Such increase was mainly due to the increase in gross profit margin of automobile business.

Other Income

Other income was HK$69.5 million for the year ended 31 March 2017, a 43.2% decrease from HK$122.4 million in the last financial year. The decrease was mainly due to lack of sub-lease rental income and consultancy and referral fee income during the financial year. Also the bonus from suppliers for marketing purpose decreased by approximately 45.9%.

Operating Expenses

The selling and distribution costs increased slightly by 1.9% while administrative expenses reduced by 8.4%. The changes were mainly due to the increase in marketing expenses, but reduced by decrease in rental expenses and depreciation of the Group.

Finance Costs

Finance costs decreased by 68.1% from HK$49.3 million to HK$15.7 million. The decrease was mainly due to the substantial reduction of borrowings and reduction of interest rates by the People's Bank of China during the financial year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2017 were approximately HK$2,366.3 million (2016: HK$1,735.5 million) which were mainly financed by the owners' equity and total liabilities of approximately HK$1,773.9 million (2016: HK$1,056.2 million) and HK$578.6 million (2016: HK$651.8 million) respectively.

Cash Flow

The Group's bank balances and cash as of 31 March 2017 were approximately HK$198.3 million (2016: HK$157.2 million) which were mainly denominated in HK$ 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. Such increase was mainly attributable to the decrease in inventory level when compared with the last financial year.

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 at 31 March 2017 were approximately HK$396.4 million, representing a decrease of 18.9% from approximately HK$488.7 million at 31 March 2016. The decrease was mainly due to substantial repayment of borrowings during the year.

Gearing Ratio

The Group's gearing ratio computed as total borrowings over the total equity decreased to 22.2% as at 31 March 2017 (2016: 45.1%).

Inventories

As at 31 March 2017, the Group's inventories decreased by 7.7% from approximately HK$1,000.2 million as at 31 March 2016 to HK$923.6 million, primarily due to the decrease in automobile and watch and jewellery inventories which comprised approximately 60.1% and 24.5% of the inventories of the Group.

The Group's average inventory turnover days decreased from 209 days in the year ended 31 March 2016 to 143 days in the year ended 31 March 2017, primarily due to decrease in average inventories resulting from the improvement in the automobile retail market.

The average inventory turnover days mentioned above was defined as average inventory over cost of sales multiplied by 365 days, and the average inventory was the median value of the inventories as at the year end of the current and previous financial years.

Exposure to Foreign Exchange Risk

The revenue and expenses of the Group are mainly denominated in RMB and HK$ while the production cost and purchases are mainly denominated in RMB, HK$, Euro ("**EUR**") and Swiss Franc ("**CHF**").

The Group did not enter into any foreign currency forward contract for this financial year under review. As at 31 March 2017 and 2016, the Group did not have any foreign currency forward contracts.

Contingent Liabilities and Capital Commitment

The Group did not have any significant capital commitment as at 31 March 2017 (2016: nil) in respect of acquisition of property, plant and equipment. The board of Directors of the Company considered that the Group had no material contingent liabilities as at 31 March 2017 (2016: nil).

Charges on Assets

As at 31 March 2017, pledged deposits and inventories of the Group with aggregate carrying amounts of approximately HK$72.2 million (2016: HK$55.7 million) and approximately HK$335.6 million (2016: HK$424.6 million) respectively were pledged to secure general banking facilities and other facilities granted to the Group.

Human Resources

As at 31 March 2017, the Group had 493 (2016: 485) employees. Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$45.6 million for the year (2016: HK$44.1 million).

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

Material Acquisition

On 20 October 2016, the Group entered into a sale and purchase agreement with two entities controlled by Mr. Qi Jian Hong, namely Sparkle Roll Holdings Limited ("**SRHL**") and Beijing Sparkle Roll Investment Limited* ("**BJSRIL**"), pursuant to which the Group has conditionally agreed to (i) acquire from SRHL approximately 15.09% of the total issued shares of B&O and (ii) acquire from BJSRIL the remaining 49% equity interests in Balanorm Beo (Beijing) Trading Development Limited. The consideration of the transaction was settled by way of the Company issuing an aggregate of approximately 1,161.4 million shares at HK$0.45 each to SRHL. The transaction was completed on 16 December 2016. For the details of the transaction please refer to announcements dated 20 October 2016, 13 December 2016, and 16 December 2016 and the circular dated 24 November 2016.

RECENT DEVELOPMENT AND PROSPECT

China's luxury cars are making comeback in China. Super brands including Ferrari, Aston Martin, Maserati, McLaren, Lamborghini and Porsche are all cashing in on China's big spenders as reported by Bloomberg dated 20 April 2017. Our Group will set up a long term exhibition site at Sanya, China by the end of 2017 for marketing and promotion purpose. Through the operation of this exhibition platform, the Group hopes to interact and engage with potential customers to generate economic benefits in the upcoming financial year. During the current financial year under review, our Group has engaged in selling pre-owned cars. We will further develop such business in the upcoming financial year.

As mentioned in the Extract of Independent Auditor's Report above, our independent auditor has expressed a qualified opinion in its auditors' report on the Group's consolidated financial statements for the year ended 31 March 2017. The Group has acquired 6,519,358 shares of B&O by issuance of new shares. Upon completion, goodwill on acquisition in the amount of HK$374.5 million was recorded giving rise to an aggregate acquisition cost of HK$653.6 million. That said the investment cost was approximately HK$100.3 per share (approximately DKK89.1 per share). The market price of the B&O share reached DKK96.5 on 31 March 2017 and DKK109.5 on 27 June 2017. The Group will closely monitor such substantial investment.

On the other hand, in view of the significant investment in B&O and the satisfactory performance of the B&O PLAY dealership business in the PRC, audio equipment business will be one of the focuses to the Group in the upcoming financial years.

Looking ahead, given the constant challenging environment of the luxury goods market in the PRC, the Group is nonetheless cautiously optimistic and committed to continue our leading roles in the luxury goods market in the PRC. The Group continues to target destocking of our non-auto inventory since it has been going well with satisfactory progress especially in watch and jewelry segment and we will continue to adopt a prudent, and, to a certain extent, innovative approach to maintain a healthy level of inventory.

With a forecasted compound annual growth rate in double digits, online retailing in China is expected to grow from 17% of total retail sales in 2017 to 25% by 2020. China is the largest and most innovative retail e-commerce market in the world according to a report titled "eCommerce in China – the future is already here" issued by PricewaterhouseCoopers. At the same time, China has more e-commerce activities than any country in the world today. China's National Bureau of Statistics reported that online retail sales in China grew 26% in 2016 to 5,155.6 billion yuan, that is more than 40% of all online sales around the world. The Group continues to support in diversifying our e-commerce platform, "Sparkle Roll Online" which gradually matures into an O2O platform, and widens the product portfolio by the end of 2017 to provide better services to our customers. We hope our e-commerce business will become one of our main income drivers in the years ahead.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: nil), while no interim dividend (2016: nil) had been distributed during the year. This would be in the best interest of the Group because particularly, the turnaround of the profitability is at a relatively early stage and certain economic uncertainties remain. However, the Directors recognise the importance of dividends to shareholders and will keep the matter under review.

CORPORATE GOVERNANCE

The Group is committed to maintaining a high standard of corporate governance practices and procedures that are consistent with the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. 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 compling with legal and statutory requirements. Throughout the financial year ended 31 March 2017, the Group has complied with the code provisions as set out in the CG Code.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 4:30 p.m. on 6 September 2017 (Wednesday) at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong and a notice of annual general meeting will be published and despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 5 September 2017 (Tuesday) to 6 September 2017 (Wednesday) (both days inclusive) during which period, no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 4 September 2017 (Monday).

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 2017 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 2017 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

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 and up to the date of this announcement.

The Company also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.hk970.com.

The annual report of the Company for the year ended 31 March 2017 containing all the information required by the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange and the Company's website in due course.

By Order of the Board
Tong Kai Lap
Chairman

Hong Kong, 28 June 2017

As at the date of this announcement, the Company has three executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Tong Kai Lap, Mr. Zheng Hao Jiang and Mr. Zhu Lei. The non-executive Directors are Mr. Zhang Si Jian, Mr. Gao Yu and Mr. Qi Jian Wei. The independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Lee Thomas Kang Bor.

* *For identification purposes only*