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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 2019

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 2019, together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**3,724,845**	2,893,052
Cost of sales		**(3,159,908)**	(2,494,027)
Gross profit		**564,937**	399,025
Other income and net gains	6	**90,634**	83,576
Selling and distribution costs		**(381,887)**	(295,534)
Administrative expenses		**(150,633)**	(60,716)
Other expenses	7	**–**	(12,976)
Operating profit	7	**123,051**	113,375
Finance costs	8	**(40,956)**	(16,234)
Gain on deemed disposal of investment in associate	11(a)	**–**	585,588
Share of loss of an associate	11(a)	**–**	(12,779)
Profit before income tax		**82,095**	669,950
Income tax	9	**4,994**	(2,834)
Profit for the year		**87,089**	667,116
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		**(37,220)**	68,425
Change in fair value of available-for-sale investment recognised during the year		**–**	64,243
Share of other comprehensive income of an associate		**–**	(5,270)
Reclassification adjustments for amounts transferred to profit or loss:			
Deemed disposal of investment in an associate		**–**	(521)
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		**(768,022)**	–
Other comprehensive income for the year, net of tax		**(805,242)**	126,877
Total comprehensive income for the year		**(718,153)**	793,993

	Note	2019	2018
		HK$'000	*HK$'000*
Profit for the year attributable to:			
Owners of the Company		**97,429**	664,565
Non-controlling interests		**(10,340)**	2,551
		87,089	667,116
Total comprehensive income attributable to:			
Owners of the Company		**(707,680)**	791,326
Non-controlling interests		**(10,473)**	2,667
		(718,153)	793,993
Earnings per share attributable to owners of the Company			
Basic and diluted	*10*	**HK2.0 cents**	HK14.9 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**242,273**	92,527
Prepaid lease payments		**564,982**	–
Goodwill		**397,545**	206,171
Other intangible assets		**386,877**	393
Available-for-sale investment	*11(b)*	–	1,291,321
Financial assets at fair value through other comprehensive income	*11(b)*	**426,187**	–
Deposits paid for acquisition of a property holding company		–	135,802
Prepayment for property, plant and equipment		**3,596**	–
Rental deposits paid to a related party		**6,989**	15,812
		2,028,449	1,742,026
Current assets			
Inventories		**1,028,772**	1,061,407
Trade receivables	*12*	**21,591**	5,342
Deposits, prepayments and other receivables		**237,462**	269,995
Prepaid lease payments		**17,183**	–
Amounts due from related parties		**6,767**	8,576
Investment in films		**301,832**	–
Investment in debt securities		–	440,000
Loan receivables	*13*	–	127,376
Pledged deposits		**106,354**	91,357
Restricted bank balance		–	5,304
Cash at banks and in hand		**185,241**	155,650
		1,905,202	2,165,007
Current liabilities			
Trade payables	*14*	**80,881**	14,501
Contract liabilities		**235,034**	–
Receipts in advance, accrued charges and other payables		**261,136**	288,370
Amounts due to non-controlling interests		**6,639**	4,538
Amounts due to related parties		–	2,424
Provision for taxation		**5,605**	5,386
Borrowings		**620,051**	567,652
		1,209,346	882,871

	2019	2018
	HK$'000	*HK$'000*
Net current assets	**695,856**	1,282,136
Total assets less current liabilities	**2,724,305**	3,024,162
Non-current liabilities		
Other payables	–	304
Borrowings	**253,830**	–
Deferred tax liabilities	**97,281**	678
	351,111	982
NET ASSETS	**2,373,194**	3,023,180
EQUITY		
Equity attributable to owners to the Company		
Share capital	**9,999**	9,882
Reserves	**2,356,638**	2,996,268
	2,366,637	3,006,150
Non-controlling interests	**6,557**	17,030
TOTAL EQUITY	**2,373,194**	3,023,180

NOTES

1. GENERAL

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

The principal activities of the Company and its subsidiaries (together the "**Group**") are distributorships of luxury goods and automobiles and provision of after-sales services, property management services, catering services and property rental services. The Group's operations are mainly based in Hong Kong, Mainland China and Malaysia.

In the opinion of the Directors, the immediate holding company and ultimate holding company of the Company is Sparkle Roll Holdings Limited ("**SRHL**"), which is incorporated in the British Virgin Islands.

The Directors regard ultimate controlling party of the Company to be Mr. Qi Jian Hong.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which in 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 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 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 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 2018

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 2018.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a venture capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 9 – Financial Instruments

Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

As of 1 April 2018, certain listed equity investments were reclassified from available-for-sale financial assets at fair value to financial assets at fair value through other comprehensive income ("**FVTOCI**"). The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVTOCI. As a result, financial assets with a fair value of HK$1,291,321,000 was reclassified from available-for-sale financial assets at fair value to FVTOCI on 1 April 2018.

As at 1 April 2018, the opening balance of available-for-sale financial assets reserve of HK$64,243,000 was transferred to fair value reserve (non-recycling).

Except for the mentioned above, the adoption of HKFRS 9 has no significant impact on the classification and measurement of the Group's financial assets and financial liabilities. The carrying amounts for all financial assets and financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise ECL for trade receivables and financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current year.

HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") and amendments to HKFRS 15

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 introduces a five-step model when recognising revenue:

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

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for 2018 has not been restated.

As such, receipt in advance from customers which was previously included in receipts in advance, accrued charges and other payables, amounting to HK$195,479,000 as at 1 April 2018, are now recognised as contract liabilities to reflect the terminology of HKFRS 15. Except for the above, based on the assessment of the Group, the adoption of HKFRS 15 from 1 April 2018 has resulted in changes of accounting policies of the Group, however, it does not have significant impact on the timing and amounts of revenue recognition of the Group, and no adjustment to the opening balance of equity at 1 April 2018 have been made. However, additional disclosures have been presented in the consolidated financial statements for the year ended 31 March 2019 as a result of adoption of HKFRS 15.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of this interpretation has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

(b) New or revised HKFRSs that have been issued but are not yet effective

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

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for transactions that occur on or after 1 January 2020
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

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 than 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.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$643,692,000.

Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption. The Group will continue to assess the full impact of the adoption of HKFRS 16.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met – instead of at FVTPL.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Except for HKFRS 16, the Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and 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 of the Company have identified the following reportable operating segments:

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

(ii) Non-auto dealership – this segment includes distribution of branded watches, namely Richard Mille, DeWitt, Parmigiani, DeLaCour and Buben & Zorweg, distribution of branded jewelleries, namely Boucheron and Royal Asscher, distribution of certain brands of fine wines, audio equipment, menswear apparels and accessories, and cigars and smoker's accessories; and

(iii) Others – this segment includes provision of property management services, catering services and property rental services; and film investments;

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.

	2019			
	Auto dealership	**Non-auto dealership**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**3,307,716**	**320,315**	**96,814**	**3,724,845**
Other income and net gains	**44,683**	**17,993**	**3,379**	**66,055**
Reportable segment revenue	**3,352,399**	**338,308**	**100,193**	**3,790,900**
Reportable segment results	**231,500**	**(37,485)**	**50,465**	**244,480**

	2018			
	Auto dealership	Non-auto dealership	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	2,569,576	323,476	–	2,893,052
Other income and net gains	58,330	5,762	–	64,092
Reportable segment revenue	2,627,906	329,238	–	2,957,144
Reportable segment results	160,225	(24,415)	–	135,810

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

	2019	2018
	HK$'000	*HK$'000*
Reportable segment results	**244,480**	135,810
Bank interest income	**1,299**	1,216
Income from investments, debt securities and loan receivables	**9,588**	13,835
Unallocated corporate income	**13,692**	4,433
Unallocated corporate expenses	**(146,008)**	(41,919)
Share of loss of an associate	**–**	(12,779)
Gain on deemed disposal of investment in associate	**–**	585,588
Finance costs	**(40,956)**	(16,234)
Profit before income tax	**82,095**	669,950

5. REVENUE

The Group's principal activities are sale of automobiles and other merchandised goods and provision of automobile related after-sales services. Other businesses mainly represent income from provision of property management services, catering services and property rental services.

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

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
Recognised at point in time		
Sales of automobiles	**3,193,687**	2,469,539
Sales of other merchandised goods	**320,315**	323,476
Recognised over time		
Provision of after-sales services	**114,029**	100,037
Provision of property management services	**18,652**	–
Provision of catering services	**14,832**	–
	3,661,515	2,893,052
Revenue recognised according to other accounting standards:		
Provision of property rental services	**63,330**	–
Total	**3,724,845**	2,893,052

6. OTHER INCOME AND NET GAINS

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**1,299**	1,216
Income from investments, debt securities and loan receivables	**9,588**	13,835
Bonus from suppliers	**–**	10,045
Gain on disposals of property, plant and equipment	**2,054**	2,128
Income from advertising, exhibitions and other services	**33,721**	7,820
Income from insurance brokerage	**40,164**	44,893
Management fee income	**218**	1,135
Administrative fee income	**–**	618
Other	**3,590**	1,886
	90,634	83,576

7. OPERATING PROFIT

This is arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Amortisation of other intangible asset	**26,727**	79
Amortisation of prepaid lease payment	**9,975**	–
Auditors' remuneration		
– Audit services	**1,500**	1,300
– Non-audit services	**997**	510
Cost of inventories recognised as expense, including	**3,136,494**	2,287,412
– Write-down of inventories	**8,356**	6,238
– Reversal of write-down of inventories	**(7,947)**	–
Depreciation of property, plant and equipment	**26,891**	21,995
Exchange differences, net	**1,009**	904
Operating lease payments in respect of rented premises*	**95,832**	98,025
Employee benefit expenses	**65,310**	44,426
Provision for litigation and claims	**–**	12,976

* Operating lease payments in respect of rented premises have been recognised of approximately HK$23,107,000, HK$63,821,000 and HK$8,904,000 (2018: HK$nil, HK$82,516,000 and HK$15,509,000) in cost of sales, selling and distribution costs and administrative expenses respectively.

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**25,182**	14,187
Interest on other loans	**15,774**	2,047
	40,956	16,234

9. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 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 years ended 31 March 2018 and 2019.

	2019	2018
	HK$'000	*HK$'000*
Current tax		
– Hong Kong profits tax		
Charge for the year	**77**	1,146
– Other jurisdictions		
Charge for the year	**1,629**	1,046
Under-provision in prior years	**–**	794
Total current tax	**1,706**	2,986
Deferred tax	**(6,700)**	(152)
Total income tax (credit)/expense	**(4,994)**	2,834

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of approximately HK$97,429,000 (2018: approximately HK$664,565,000) by the weighted average of 4,839,037,294 (2018: 4,445,894,981) ordinary shares in issue during the year ended 31 March 2019.

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

11. INVESTMENT IN AN ASSOCIATE, AVAILABLE-FOR-SALE INVESTMENT AND FINANCIAL ASSETS

(a) Investment in an associate

Particulars of the associate up to the date of deemed disposal 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 lost significant influence over B&O during the year ended 31 March 2018 due to a change of circumstances including the resignation on 1 January 2018 by Mr. Tong Kai Lap as chairman and director of the Company and the consequential loss of representation by the Group in the board of directors of B&O, together with the Group not having the power to participate in the financial and operating policy decisions of B&O. As the result, B&O ceased to be an associate of the Group on 1 January 2018 in accordance with Hong Kong Accounting Standard 28 Investments in Associates and Joint Ventures ("HKAS 28"). Accordingly, the investment in B&O at the date when significant influence is lost was recognised at fair value and this amount was regarded as the fair value on initial recognition of available-for-sale investment (Note 11(b)).

During the year ended 31 March 2018, the Group's results included its share of B&O's results for the nine months ended 30 November 2017 and any significant events or transactions for the period from 1 December 2017 to the date of loss of significant influence with reference to B&O's most recently available and published financial information (which were drawn up to 30 November 2017). The Group has taken advantage of the provision contained in HKAS 28 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.

Immediately after the loss of significant influence over B&O, it was accounted for as a deemed disposal of the entire interest in B&O, with a resulting gain of approximately HK$585,588,000 on deemed disposal of investment in the associate recognised in profit or loss during the year ended 31 March 2018.

The following table illustrates the summarised financial information of the associate up to the date of deemed disposal during the prior year:

	From 1 April 2017 to date of deemed disposal *HK$'000*
Revenue	2,871,301
Loss for the period	(84,683)
Other comprehensive income	(34,922)
Total comprehensive income	(119,605)

(b) Available-for-sale investment/financial assets at FVTOCI

	2019	2018
	HK$'000	*HK$'000*
Listed equity securities, at fair value	**426,187**	1,291,321

The balance represented the investment in B&O which is a listed entity in Denmark. The fair value was based on quoted market price as at 31 March 2019. The equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

12. TRADE RECEIVABLES

Trade receivables represent rental receivable from tenants, and sales from customers. The Group's trading terms with its retail customers are mainly receipts in advance from customers or cash on delivery, except for certain transactions with creditworthy customers where the credit period is extendable up to 3 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:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**21,591**	5,075
31 – 120 days	**–**	267
	21,591	5,342

13. LOAN RECEIVABLES

		2019	2018
	Notes	*HK$'000*	*HK$'000*
Loans to independent third parties through internet finance platform	*(i)*	**–**	86,420
Other loans receivable	*(ii)*	**–**	40,956
		–	127,376

Notes:

(i) Amounts represented loans to independent third parties which were facilitated through the internet finance platform of independent financial services companies and are unsecured. The principal of these loans (with maturity due within 60 days) and the related interest (bearing 6.00% or 6.80% per annum) were insured by an independent insurance company based in Mainland China. The loans were fully settled during the year ended 31 March 2019.

(ii) The loans were made to independent third party and were unsecured, bearing interest rate at 7.36% per annum and repayable within one year. The loans were fully settled during the year ended 31 March 2019.

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:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**71,917**	10,194
31 – 60 days	**–**	462
61 – 90 days	**–**	2,290
Over 90 days	**8,964**	1,555
	80,881	14,501

15. DIVIDENDS

No dividend was paid, declared or proposed by the Company in respect of the years ended 31 March 2018 and 2019.

EXTRACT OF OUR INDEPENDENT AUDITOR'S REPORT

BDO Limited was engaged to audit the consolidated financial statements of the Group for the year ended 31 March 2019. This section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 March 2019.

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 2019, 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 ("**HKICPA**") 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 20(a) to the consolidated financial statements, Bang & Olufsen A/S ("**B&O**"), an entity with shares listed in Denmark, ceased to be an associate of the Group since the date of deemed disposal of investment in associate during the year ended 31 March 2018 (the "**Cessation Date**") upon which the Group ceased the application of equity method of accounting on its investment in B&O. During the period between 1 April 2017 and the Cessation Date, the Group recorded a share of loss of B&O as an associate in the amount of approximately HK$12,779,000, and a gain on deemed disposal of investment in an associate in the amount of approximately HK$585,588,000 in the Group's consolidated financial statements for the year ended 31 March 2018 (the "**FY2018 consolidated financial statements**").

The predecessor auditor modified its opinion on the Group's FY2018 consolidated financial statements due to inability to obtain sufficient appropriate audit evidence regarding the Group's share of B&O's results for the period from 1 April 2017 to the Cessation Date and the gain on deemed disposal of B&O as included in the Group's FY2018 consolidated financial statements. Our audit opinion on the consolidated financial statements for the year ended 31 March 2019 is also modified because of the possible effect of this audit scope limitation on the FY2018 consolidated financial statements on the comparability of the related 2019 figures and 2018 figures in the consolidated financial statements for the year ended 31 March 2019.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion."

CHAIRMAN'S STATEMENT

China's economy grew at its slowest pace in 28 years in 2018, with gross domestic product expanding at 6.6%, down 0.2 percentage point from the previous year, according to the data released by the National Bureau of Statistics of China. Despite the slowdown, the growth rate for 2018 exceeded the target of about 6.5% set by the Chinese government. The economy grew faster in 2017 for the first time in seven years, but slowed again in 2018. For 2019, the Chinese government targets growth at 6-6.5%, which was already China's slowest annual growth in nearly three decades. While there are a number of positive signals, the Chinese economy still faces downward pressure coming from the external environment. China's growth has been hit by a trade war with the United States and government efforts to rein in a huge amount of debt in China's financial system.

During the financial year under review, the Group's revenue increased from HK$2.893 billion to HK$3.725 billion. Gross profit for the financial year increased from HK$399.0 million to HK$564.9 million. The auto business was still a major income driver, accounting for approximately 88.8% of our business. Net profit attributable to owners of HK$97.4 million was recorded in this financial year compared with a net profit of HK$664.6 million in the last financial year.

As the Group expected to record a substantial decrease in the net profit for the year ended 31 March 2019 as compared with a net profit of approximately HK$667 million for the year ended 31 March 2018, the Board had issued a profit warning announcement on 17 May 2019.

China's Luxury Goods and Automobiles Markets

There are quite a few ongoing updates and research reports from reputable authorities, investment banks and global research houses mentioning that China's luxury goods market has cooled down but is still growing in a healthy way. According to the "Bain & Company's 2019 China Luxury Report" issued by Bain & Company on 18 March 2019, spending on luxury goods is expected to increase by 10 per cent in 2019, down from 20 per cent in the previous two years. In 2018, mainland Chinese consumers spent 170 billion yuan (US$25.3 billion), representing a 20 per cent growth in the previous year on luxury goods. Chinese consumers made 27% of their luxury purchases in China in 2018, up from 23% in 2015, and Bain anticipates that such share will increase to 50% by 2025. However, mainland Chinese consumers' total spending on luxury items accounted for 33 per cent of the global total last year, according to Bain. The cooling down of China's luxury goods market is due to the impact of the slowing economy on people's incomes and personal wealth, which will deter China's affluent classes from buying luxury items and the present condition that real estate prices are likely to flatten, reducing the positive wealth effect on Chinese households.

According to the sixth edition of an annual study titled "2019 True-Luxury Global Consumer Insight" published by The Boston Consulting Group (BCG), a global management consulting firm and the world's leading advisor on business strategy, released on 17 April 2019, the global luxury market was worth €920 billion in 2018, a sum combining €590 billion spent on experiential luxury, up 5% over 2017, and the €330 billion spent on luxury consumer goods (up 3%). In 2025, it is expected to be worth €1.256 trillion, growing at an average annual rate of 4.6%. In 2018, 30% of the world's luxury spending, equivalent to €278 billion, was made by 18.5 million consumers, 4% of all luxury goods consumers worldwide. Chinese consumers played a leading role as "True-luxury consumers", whose share of the global luxury market is expected to increase from 35% to 40% in 2025, accounting for 75% of growth in 2018-25, and by millennials. The study further states that Generation Z, being people born in the last two decades, currently only accounts for 4% of the luxury market. Attention has to be drawn to the resale market, which is now worth €22 billion and is expected to grow at a rate of 12% per annum, reaching €31 billion in 2021, mainly fuelled by e-tailing sites. This segment accounts for 7% of the luxury good market, estimated at €330 billion, with growth rate four times faster than that of the traditional luxury goods market.

For the global luxury car market, China is still the most important market. According to an article titled "Luxury Car Brands Expect to Keep Bucking China's Sluggish Trend in 2019" issued by Caixin Global Limited, a member of China's most influential financial media group on 28 January 2019, it mentioned global luxury-car brands are predicting strong sales growth in China this year after bucking the downward trend last year in an automobile market that saw its first annual sales decline in nearly three decades. Luxury car players are positive towards the market in 2019 including Volkswagen AG's Audi which is expected to sell a total of 682,000 units in the world's largest car market this year, up 2.87% from 2018 while the brand sold 663,000 vehicles in China from the previous year. Additionally, BMW AG predicts its China sales will rise by 10%, extending a 7.7% increase last year when it sold a total of 640,000 units in the country.

Luxury car market continues to grow steadily based on an article named "China's luxury car market maintains steady growth" issued on 29 May 2019 by SHINE, an English-language newspaper in China published since October 1999 and owned by Shanghai United Media Group with the latest information in Shanghai. It mentioned that China's luxury car market remains on a steady growth path despite weak market sentiment in overall car sales. According to a recent report issued by China Passenger Car Association, China's luxury sedan segment grew around 18.8% in the first 11 months of this year as compared with that of the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Auto Dealerships

During the year under review, revenue of the ultra-luxury automobile distributorships of Bentley, Lamborghini and Rolls-Royce recorded an approximately 29.3% increase to approximately HK$3.194 billion, as compared with that of approximately HK$2.470 billion in the previous financial year. All our 3 brands, Rolls-Royce, Bentley and Lamborghini recorded sales growth. Rolls-Royce had performed the best among the Group's others brands in terms of the increase in revenue and gross profit with total sales of approximately HK$1.540 billion, representing an approximately 47% rise as compared with that of approximately HK$1.046 billion recorded in the previous financial year. 203 units of Rolls-Royce were sold, representing an increase of approximately 20% as compared with 169 units sold in the previous financial year. Among all models of Rolls-Royce sold during this financial year, Phantom performed the best in terms of revenue and gross profit contribution.

According to the article titled "Rolls-Royce Celebrated Success in China at 2019 Shanghai Motors Show" under the brand's official website issued on 16 April 2019, Rolls-Royce announced a remarkable business record in 2018 and achieved its greatest sales result in the brand's 115-year history, with 4,107 cars delivered to customers in over 50 countries worldwide. The Greater China market is a significant market in the marque's 2018 success story, becoming the brand's second largest market. The brand anticipated that the Greater China market will, at some point in the not too distant future, become Rolls-Royce Motor Car's largest single market.

Lamborghini recorded a rise in sales during this financial year with a total of approximately HK$256.2 million, representing a 98% increase in sales as compared with that of approximately HK$129.7 million during the previous financial year. 53 units of Lamborghini were sold, representing an increase of approximately 83% as compared with 29 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.

Bentley recorded an approximately 8% increase in sales to approximately HK$1.397 billion during this financial year, as compared with that of approximately HK$1.294 billion in the previous financial year. 437 units of Bentley were sold, representing an increase of 39% as compared with 314 units sold in the previous financial year. Among all models of Bentley sold during this financial year, Bentayga, the new SUV model, recorded the greatest number of units sold and performed the best in terms of revenue and gross profit contribution.

Gross profit margins of sale of Lamborghini and Rolls-Royce increased during this financial year due to the increase of both quantity and gross profit margin. For Bentley, gross profit margin recorded a decline during this financial year.

Revenue of after-sales services recorded a rise of approximately 14% during this financial year as compared with that of the previous financial year. Accordingly, the gross profit margin decreased slightly from approximately 45.4% in the previous financial year to approximately 44.3% in this financial year.

Non-auto Dealerships

During the year under review, the sales of our non-auto dealerships division recorded a decrease in revenue of approximately 1% to approximately HK$320.3 million as compared with that of approximately HK$323.5 million in the previous financial year.

Gross profit margin of our non-auto dealerships division decreased during this financial year from approximately 35% in the previous financial year to approximately 32.1% in this financial year.

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

Others

During the financial period under review, our others division, which includes the new business of provision of property management services, sub-lease services, catering services and film investment, recorded revenue and gross profit of approximately HK$96.8 million and approximately HK$68.7 million respectively.

Based on the calculation result, the profit guarantee of not less than RMB50,000,000 has been achieved for the period between 1 April 2018 and 31 March 2019 in relation to the property management business.

Investment

The Group completed its acquisition of 6,519,358 shares, approximately 15.09% shareholding in Bang & Olufsen A/S ("**B&O**"), a company incorporated in Denmark whose shares are listed and traded on Nasdaq Copenhagen, on 16 December 2016. The consideration for the acquisition of the shares as stated in the relevant circular dated 25 November 2016 was approximately HK$494 million.

As at 31 March 2019, the Group held 6,000,000 shares of B&O, approximately 13.89% of its total issued shares, as a long term investment for capital appreciation and distributions. The carrying amount of this investment represented approximately 10.8% of the total assets of the Group as at 31 March 2019.

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

During this financial year, the Group sold 519,358 shares of B&O and hence realized approximately HK$97 million.

During this financial year, the share price of B&O was traded in a range of DKK58.3 to DKK176 per share. As at 31 March 2019, the share price of B&O closed at DKK59.9 per share and the total fair value of the shares of B&O held by the Group was approximately HK$426 million. As compared to 31 March 2018, the fair value of this investment decreased by approximately HK$865 million.

This equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. According to the relevant accounting standard, equity investment at fair value through other comprehensive income is measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

QUALIFIED OPINION

As mentioned above in this announcement, our independent auditor, BDO Limited, will issue a qualified opinion on the Group's consolidated financial statements for the year ended 31 March 2019. Such qualified opinion is related to the comparative figures of the Group's investment in B&O between 1 April 2017 and the date of deemed disposal of investment in associate, where the Group's share of the loss of B&O as an associate in the amount of approximately HK$12,779,000, and a gain on deemed disposal of investment in an associate in the amount of approximately HK$585,588,000 in the Group's consolidated financial statements for the year ended 31 March 2018. For more details of such qualified opinion, please refer to the section headed "EXTRACT OF OUR INDEPENDENT AUDITOR'S REPORT" of this announcement.

As the qualified opinion is related to the corresponding figures which is a consequential effect resulting from the qualified opinion on the Group's consolidated financial statements for the year ended 31 March 2018, the Directors expect that similar qualified opinion will not be issued in the Group's financial statements for the year ending 31 March 2020.

The Audit Committee of the Company has critically reviewed the management's position on the major judgmental areas and concluded that there is no disagreement with the management's position on the qualified opinion issued by the auditors and then recommended the same to the Directors for approval.

RECENT DEVELOPMENT AND PROSPECT

China is on track to be the largest luxury cars market in a few years. Super brands including Audi, Mercedes Benz and Porsche had recorded brilliant sales in China during 2018 based on a summary published by China Passenger Car Association ("CPCA") dated 30 January 2019. Audi gained the crown in China in terms of the 2018 single luxury car brand sales. Last year, it saw its China sales grow at 10.9% from the previous year. Out of that, sales of China made Audi cars exceeded 600,000 units for the first time with a year-on-year increase of 10.2%. Deliveries of imported cars jumped 20% to 60,188 units in 2018. Additionally, Mercedes-Benz also did quite a good performance in 2018 which its sales evidently climbed 11.1% from a year ago to 652,996 units. For Porsche, China once again became the largest single market for the brand in 2018, who saw its sales rose 12% from a year ago.

Although the China luxury cars market continues to grow in 2018, the Group maintains a prudent view towards our 3 super brands. Due to the policy of National VI emission standards for motor vehicles (國家第六階段機動車污染物排放標準), the production of Bentley is affected and hence the supply of Bentley to the Group will decrease in the upcoming financial year. However, according to the manufacturer, Bentley will be delivering new models of Continental GT and Flying Spur in the second half of the upcoming financial year. The sale of Lamborghini will maintain its sustainability due to its newly released SUV – Urus during the current financial year. As the supply of Rolls-Royce will increase, the market price may be inevitably under pressure. The above factors may have a modest downward impact on the revenue contributions to the auto dealerships segment of the Group in the upcoming financial year.

Regarding the Group's non-auto dealerships segment, the products of B&O are expected to maintain growth in revenue in the upcoming financial year since personal income tax in China dropped and thus consumption power raised. For watch, jewellery and fine wines, the relevant segments have continued shrinking in recent years, hence destocking such inventories will remain one of the missions of the Group in the upcoming financial year.

For others segment, the Group is optimistic towards its development. As there is a time frame for film production and official approval in mainland China, we expect such segment will not bring substantial contribution to the Group in the upcoming financial year.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 March 2019 was approximately HK$3,724.8 million, representing an increase of approximately 28.8% as compared with that of approximately HK$2,893.1 million recorded in the previous year. Such increase was mainly due to the increase in sales of automobiles, provision of after-sales services and audio products. The table below sets out the Group's revenue for the year indicated:

	FY2019		FY2018		**Changes**	
		Contribution		Contribution		
Revenue Source	***HK$'000***	**(%)**	*HK$'000*	(%)	*HK$'000*	(%)
Automobile segment						
Sales of automobiles	**3,193,687**	**85.7%**	2,469,539	85.30%	724,148	29.3%
Provision of after-sales services	**114,029**	**3.1%**	100,036	3.50%	13,993	14.0%
Sub-total	**3,307,716**	**88.8%**	2,569,575	88.80%	738,141	28.7%
Non-automobile dealerships segment	**320,315**	**8.6%**	323,477	11.20%	(3,162)	(1.0%)
Others	**96,814**	**2.6%**	–	–	96,814	–
TOTAL	**3,724,845**	**100.0%**	2,893,052	100%	831,793	28.8%

Gross Profit and Gross Profit Margin

Gross profit of the Group for the year ended 31 March 2019 increased by approximately 41.6% to approximately HK$564.9 million (31 March 2018: approximately HK$399.0 million). Such increase in the gross profit was mainly due to the increase in gross profit from sales of automobiles and increase in incentive bonuses offered by automobile suppliers in this financial year which were deducted from the cost of sales. The gross profit of the sales of automobiles increased by approximately 42.7% from approximately HK$240.4 million in the previous financial year to approximately HK$343.0 million in this financial year.

Other Income and net gains

Other income and net gains was approximately HK$90.6 million for the year ended 31 March 2019, representing approximately 8.4% increase from approximately HK$83.6 million in the last financial year. Such increase was mainly due to increase in income from advertising, exhibitions and other service income.

Selling and distribution costs

The selling and distribution costs increased by approximately 29.2% which were mainly due to the increase in marketing expenses, depreciation, staff costs and additional consumption levy.

Administrative expenses

The administrative expenses increased by approximately HK$89.9 million. The changes were mainly due to the expenses incurred in relation to the acquisitions and investments in debt securities and the increase in amortisation of other intangible asset.

Finance Costs

The finance costs of the Group increased by approximately 152.3% from approximately HK$16.2 million in the previous financial year to approximately HK$41.0 million in this financial year. The increase was mainly due to the increase in borrowing for the acquisition of the property used by the Group as showrooms and office.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2019 were approximately HK$3,933.7 million (31 March 2018: approximately HK$3,907.0 million) which were mainly financed by the total equity and the total liabilities of approximately HK$2,373.2 million (31 March 2018: approximately HK$3,023.2 million) and HK$1,560.5 million (31 March 2018: approximately HK$883.9 million) respectively.

As disclosed in the note 29 (b) to the interim condensed consolidated financial statements contained in the 2018/2019 interim report of the Company, the value of the intangible asset, goodwill and the deferred tax liabilities recognised at the date of acquisition of Reliable Intelligence International

Limited (currently known as San Sparkle Culture Investment Limited) and its subsidiaries were stated HK$437,879,000, HK$61,116,000 and nil respectively. The audited value of the intangible asset, goodwill and the deferred tax liabilities initially recognised upon the acquisition date during the year were adjusted to as approximately HK$413,211,000, HK$189,087,000 and HK$103,303,000 respectively. The changes were mainly due to recognition of deferred tax liabilities on the intangible asset. The Board considered that such adjustments do not have material impact on the 2018/2019 interim report.

Cash Flow

The Group's cash at banks and in hand as of 31 March 2019 were approximately HK$185.2 million (31 March 2018: approximately HK$155.7 million) which were mainly denominated in Hong Kong dollars ("**HK$**") 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. Such increase was mainly attributable to increase in operating profit and borrowings.

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

Borrowings

The Group's borrowings as at 31 March 2019 were approximately HK$873.9 million, representing an increase of approximately 53.9% from approximately HK$567.7 million as at 31 March 2018. The Group's borrowings were mainly denominated in RMB. The increase was mainly due to a new borrowing used for acquisition of Beijing Wenfu Hengye Technology Development Co., Ltd.* (北京文福恒業科技發展有限公司) ("**Wenfu**").

Gearing Ratio

The Group's gearing ratio computed as total borrowings over total equity increased to approximately 36.8% as at 31 March 2019 (31 March 2018: approximately 18.8%).

Inventories

As at 31 March 2019, the Group's inventories decreased by approximately 3.1% from approximately HK$1,061.4 million as at 31 March 2018 to approximately HK$1,028.8 million. Such decrease was primarily due to the decrease in automobile inventories which comprised approximately 53.8% of the inventories of the Group.

The Group's average inventory turnover days slightly decreased from 145 days in the year ended 31 March 2018 to 121 days in the year ended 31 March 2019.

Exposure to Foreign Exchange Risk

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

The Group did not enter into any foreign currency forward contract for this financial year. As at 31 March 2019 and 2018, the Group did not have any foreign currency forward contracts.

Contingent Liabilities and Capital Commitment

The Board of Directors of the Company considered that the Group had no material contingent liabilities as at 31 March 2019. (31 March 2018: other than the possible obligations arising from the litigations (as mentioned in the paragraph headed "**Concluded Litigations**" below), the Group had no material contingent liabilities.)

The Board of Directors of the Company considered that the Group had no material capital commitment as at 31 March 2019. (31 March 2018: other than the commitment arising from the major and connected transaction – acquisition of a property holding company, the Group had no material capital commitment.)

Charges on Assets

As at 31 March 2019, property plant and equipment, prepaid lease payment, deposits and inventories of the Group with aggregate carrying amounts of approximately HK$131.7 million (31 March 2018: nil), approximately HK$582.2 million (31 March 2018: nil), approximately HK$106.4 million (31 March 2018: HK$91.4 million) and approximately HK$407.5 million (31 March 2018: approximately HK$484.1 million) respectively were pledged to secure general banking facilities and other facilities granted to the Group.

Human Resources

As at 31 March 2019, the Group had 530 (31 March 2018: 474) employees. Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$65.3 million for this financial year (31 March 2018: approximately HK$44.4 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.

Concluded Litigations

Reference was made to the Company's announcement dated 28 December 2018 in relation to certain updates on the litigations involved by the Group in the PRC.

The Board would also like to inform the shareholders and potential investors of the Company that, with the conclusion of the First Litigation as set out in such announcement, all of the First Litigation, the Second Litigation and the Third Litigation have been concluded.

Use of proceeds from the placing

As at 31 March 2019, the net proceeds from the placing of the Company's new shares completed on 13 November 2017 had been fully utilised as follows:

	Revised use of net proceeds as disclosed in the announcement dated 25 June 2018	As at 31 May 2018	Net proceeds utilized from 1 June 2018 onwards	As at 31 March 2019	Net proceeds unutilised as at 31 March 2019
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Repayment of borrowings	108	108	–	108	–
Expansion of the audio business of the Group and as general working capital	41	41	–	41	–
Partial settlement of the consideration for the acquisition of property management business	292	–	292	292	–
Total	441	149	292	441	–

MAJOR AND CONNECTED TRANSACTION COMPLETION OF ACQUISITION OF A PROPERTY HOLDING COMPANY

Reference is made to the Company's announcements dated 6 March 2018, 3 September 2018 and the circular dated 24 April 2018. On 31 August 2018, the acquisition of Wenfu was completed.

SIGNIFICANT ACQUISITIONS

On 25 June 2018, Sparkle Roll Fine Wine Limited (currently known as Sparkle Roll Global Asset Management Limited), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement as purchaser with Mr. Wang Qiang as vendor and Reliable Intelligence International Limited, which is the target company principally engaged in the business of property management and provision of tenancy and sub-tenancy services in the PRC, for the acquisition of the entire issued share capital of the target company. The Directors were of the view that such acquisition can expand the scope of business of the Group and shall bring in a source of stable income and profits of the Group in the long run. Pursuant to the sale and purchase agreement, the consideration was paid at RMB428,000,000 and the acquisition was completed during the financial period under review. For further details, please refer to the Company's announcement dated 25 June 2018.

Besides, the Group had also acquired the entire issued share capital of Cheer Summit Investment Limited (which, through its subsidiary, is principally engaged in movies industry in China) in January 2019 which constituted a discloseable transaction of the Company. Upon completion of the acquisition, 340,000,000 new shares of the Company were issued and allotted by the Company at HK$0.3 each to the vendor as settlement of the initial consideration. For further details, please refer to the Company's announcements dated 29 October 2018, 30 December 2018 and 17 January 2019.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (31 March 2018: nil) while no interim dividend (2018: 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

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 comply with legal and statutory requirements. Throughout the financial year ended 31 March 2019, 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 30 August 2019 at Regus, Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong and a notice of annual general meeting of the Company will be published and despatched in due course.

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

As disclosed in the announcement of the Company dated 20 June 2019, with effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Secretaries Limited (the "**Branch Share Registrar**"), will change its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to:

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 August 2019 (Tuesday) to 30 August 2019 (Friday) (both days inclusive) during which period, no transfer of the shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 26 August 2019 (Monday).

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the consolidated financial statements and annual results announcement of the Company for the year ended 31 March 2019 and is of the opinion that the preparation of such results complies 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 2019 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance

Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company repurchased a total of 281,552,000 Shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of HK$84,833,473.37 from July 2018 to March 2019. As at 31 March 2019, all the repurchased Shares have been cancelled except for the shares repurchases carried out on or after 25 March 2019 (which have already been cancelled on 10 April 2019).

	Date of repurchase	Highest price *HK$*	Lowest price *HK$*	Average price *HK$*	Number of shares repurchased		Total paid *HK$*
1	9 July 2018	0.32	0.285	0.29737	18,712,000		5,564,443.58
2	16 July 2018	0.32	0.295	0.31188	3,000,000		935,640.00
3	23 July 2018	0.3	0.29	0.29903	22,200,000		6,638,466.00
4	24 July 2018	0.3	0.29	0.29636	1,800,000		533,440.80
5	25 July 2018	0.3	0.29	0.29773	30,400,000		9,051,052.80
6	27 July 2018	0.3	0.295	0.29904	26,000,000		7,774,988.00
7	31 July 2018	0.3	0.29	0.29730	22,000,000		6,540,600.00
8	2 August 2018	0.3	0.295	0.29874	26,000,000		7,767,240.00
9	3 August 2018	0.295	0.295	0.29500	6,000,000		1,770,000.00
10	6 August 2018	0.28	0.28	0.28000	2,400,000		672,000.00
11	7 August 2018	0.3	0.28	0.28908	8,000,000		2,312,640.00
12	8 August 2018	0.3	0.3	0.30000	11,000,000		3,300,000.00
13	10 August 2018	0.3	0.295	0.29996	10,000,000		2,999,600.00
14	14 August 2018	0.3	0.29	0.29833	8,400,000		2,505,963.60
15	27 August 2018	0.3	0.285	0.29446	4,520,000		1,330,959.20
16	28 August 2018	0.3	0.3	0.30000	1,720,000		516,000.00
17	29 August 2018	0.3	0.295	0.29852	7,048,000		2,103,997.15
18	30 August 2018	0.3	0.3	0.30000	39,976,000		11,992,800.00
19	31 August 2018	0.3	0.3	0.30000	200,000		60,000.00
20	4 September 2018	0.33	0.3	0.30613	5,600,000		1,714,322.40
21	11 September 2018	0.33	0.325	0.32940	4,040,000		1,330,759.84
22	12 September 2018	0.33	0.33	0.33000	160,000		52,800.00
23	13 September 2018	0.33	0.33	0.33000	3,000,000		990,000.00
24	25 March 2019	0.33	0.325	0.32800	5,000,000	*	1,640,000.00
25	27 March 2019	0.33	0.325	0.32994	1,856,000	*	612,360.00
26	28 March 2019	0.33	0.325	0.32893	7,640,000	*	2,513,000.00
27	29 March 2019	0.33	0.33	0.33000	4,880,000	*	1,610,400.00
Total					281,552,000		84,833,473.37

* Repurchased but not yet cancelled as at 31 March 2019 (which have already been cancelled on 10 April 2019).

Save as disclosed above, neither the Company nor any of its subsidaries purchased, sold or redeemed any Shares during the year ended 31 March 2019.

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 2019 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the websites of the Stock Exchange and the Company in due course.

SUPPLEMENTAL INFORMATION TO THE COMPANY'S ANNUAL REPORT 2018

The Directors would like to provide the following supplemental information to the Company's annual report 2018:

Placing of shares under general mandate completed in November 2017 and change of the use of the net proceeds from the placing

On 24 October 2017, the Company entered into a placing agreement with KGI Asia Limited (the "**Placing Agent**") under which the Placing Agent agreed to place up to a total of 800,000,000 new ordinary shares of HK$0.002 each (with a total nominal value of HK$1,600,000) in the Company (the "**Placing Shares**") to independent third parties on a best effort basis at a price of HK$0.5681 per Placing Share. The closing price of the Company's shares as quoted on the Stock Exchange on 24 October 2017, being the date of the placing agreement on which the terms of the placing were fixed, was HK$0.69 per share. The placing of all 800,000,000 Placing Shares to not less than six independent placees was completed on 13 November 2017 and net proceeds, after deducting related placing commission, professional fees and all related expenses, of approximately HK$441 million (with a net price of approximately HK$0.55 per Placing Share) were raised (the "**Net Proceeds**") which were originally intended to be used for repayment of borrowings, expansion of the audio business of the Group and as the Group's general working capital. For further details of the above placing, please refer to the announcements of the Company dated 24 October 2017 and 13 November 2017 respectively.

As at 31 May 2018, the Net Proceeds had been utilized as follows:

	Intended use of Net Proceeds as disclosed in announcement dated 24 October 2017	**Net Proceeds utilized as at 31 May 2018**	**Net Proceeds unutilized as at 31 May 2018**
	HK$'million	*HK$'million*	*HK$'million*
Repayment of borrowings	230	108	122
Expansion of the audio business of the Group and as general working capital	211	41	170
Total	441	149	292

Among the unutilized Net Proceeds as at 31 May 2018 of approximately HK$292 million, approximately HK$38 million were kept in bank accounts of the Group and approximately HK$254 million were used for short term investment.

Reference is made to the Company's announcement dated 25 June 2018 regarding the acquisition of the entire issued share capital of Reliable Intelligence International Limited which, through its wholly-owned subsidiaries, was principally engaged in the business of property management and provision of tenancy and sub-tenancy services in China. As stated in the announcement, part of the consideration for the acquisition of approximately HK$292.2 million would be settled by the Net Proceeds so as to enhance the efficiency of the deployment of the Net Proceeds and to maximize the returns to the Shareholders.

The Board considered that since the automobile and audio businesses of the Group were improved which enhanced the liquidity of the Group, such change of the use of the Net Proceeds was in the best interests of the Company and the Shareholders as a whole as this would allow the Company to deploy its financial resources more efficiently and cope with the continuing development of the businesses of the Group.

Investments

In order to make use of the idle cash of the Group and enhance the capital return, the Group had allocated certain resources on various types of investments, debt securities and loan receivables. The total amount employed represented approximately 47.6% of the total assets of the Group as at 31 March 2018. During the financial year ended 31 March 2018, these contributed approximately HK$13.8 million of gross income to the Group.

Equity investment

The Group completed its acquisition of 6,519,358 shares, representing approximately 15.09% of the total shares of Bang & Olufsen A/S ("B&O"), a company incorporated in Denmark whose shares are listed and traded on Nasdaq Copenhagen, on 16 December 2016. The consideration for the acquisition of the shares as stated in the relevant circular dated 25 November 2016 was approximately HK$494 million. The principal activities of B&O are design, manufacture, market and sale of branded audio and visual consumer electronics products.

On 15 January 2018, the Company announced that the Group's investment in B&O had been reclassified from investment in an associate to available-for-sale investment as a result of the loss of significant influence over B&O. During the financial year ended 31 March 2018, the Group recorded a share of loss of B&O of approximately HK$12.8 million. Since the date of reclassification up to 31 March 2018, the share price of B&O was traded in a range of DKK147.4 to DKK191.4 per share. As at 1 January 2018, the fair value of such investment was approximately HK$1,227 million.

Due to the change in accounting treatment, the Group was required to recognize in its profit and loss any difference between the fair value and the carrying amount of Group's interest in B&O at the date when the equity method was discontinued. The change led to an increase of approximately HK$585 million (which is non-cash in nature) in the consolidated net profit of the Group for the financial year ended 31 March 2018.

As at 31 March 2018, the Group held 6,519,358 shares of B&O, representing approximately 15.09% of its total issued shares, as a long term investment for capital appreciation and distributions. The carrying amount of this investment represented approximately 33% of the total assets of the Group as at 31 March 2018.

As at 31 March 2018, the share price of B&O closed at DKK152.6 per share and the total fair value was approximately HK$1,291 million. As compared to 1 January 2018, the fair value of this investment decreased by approximately HK$64 million.

No dividend was generated from this investment to the Group during the financial year ended 31 March 2018.

During the financial year ended 31 March 2018, the Group did not sell any shares in B&O.

Debt security investment

During the financial year ended 31 March 2018, the Group acquired 6% senior notes in the principal amount of HK$440,000,000 issued by Shanghai Huaxin Group (Hongkong) Limited ("Shanghai Huaxin Group"), a company incorporated in Hong Kong with limited liability, through an asset manager at a cost of HK$440,000,000 million. Shanghai Huaxin Group is principally engaged in the re-export trading of fuel oil, crude oil, base oil and refined oil and the trading of agricultural products and minerals. Shanghai Huaxin Group is indirectly majority-owned by CEFC China Energy Company Limited, which was recognized as one of the Fortune Global 500 in 2015 and 2016, and the World's 500 Most Influential Brands in 2015. Further details of the senior notes were set out in the announcements of the Company dated 4 December 2017 and 2 March 2018.

As at 31 March 2018, the Group held the senior notes in the principal amount of HK$440,000,000 issued by Shanghai Huaxin Group through the asset manager. The total amount employed represented approximately 11.3% of the total assets of the Group as at 31 March 2018.

During the financial year ended 31 March 2018, approximately HK$8.7 million of interest was generated from such debt security investment.

As disclosed in the Company's announcement dated 31 May 2018, the Group signed the Transfer Form and agreed to dispose of the senior notes in the principal amount of HK$330,000,000 at a consideration of HK334,840,000 to an independent third party. Previously, on 16 May 2018, the Group had disposed of the senior notes in the principal amount of HK$110,000,000 to an independent third party at a consideration of HK$111,320,000.

By Order of the Board
Zheng Hao Jiang
Chairman

Hong Kong, 28 June 2019

As at the date of this announcement, the Company has three executive Directors, two non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, Mr. Zhao Xiaodong and Mr. Zhu Lei. The non-executive Directors are 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 purpose only*