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 2013

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 2013, together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	**2013** **HK$'000**	2012 HK$'000
Revenue	4	**3,015,555**	4,427,423
Cost of sales		**(2,730,681)**	(3,975,510)
Gross profit		**284,874**	451,913
Other income	5	**131,958**	80,942
Selling and distribution costs		**(239,868)**	(224,095)
Administrative expenses		**(72,957)**	(74,143)
Other operating expenses		**(3,369)**	–
Operating profit	6	**100,638**	234,617
Finance costs	7	**(30,826)**	(9,990)
Profit before income tax		**69,812**	224,627
Income tax expense	8	**(3,845)**	(10,939)
Profit for the year		**65,967**	213,688

* *for identification purpose only*

	Notes	**2013** ***HK$'000***	2012 *HK$'000*
Other comprehensive income, net of tax			
Release of exchange reserve upon disposal of a subsidiary		**34**	–
Exchange gains on translation of financial statements of foreign operations		**3,069**	15,181
Total comprehensive income for the year		**69,070**	228,869
Profit/(loss) for the year attributable to:			
Owners of the Company		**66,304**	214,188
Non-controlling interests		**(337)**	(500)
		65,967	213,688
Total comprehensive income attributable to:			
Owners of the Company		**69,419**	229,390
Non-controlling interests		**(349)**	(521)
		69,070	228,869
Earnings per share attributable to the owners of the Company during the year	*10*		
Basic earnings per share		**HK2.2 cents**	HK7.2 cents
Diluted earnings per share		**HK2.2 cents**	HK7.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**174,272**	92,969
Goodwill	*11*	**580,679**	580,679
Other intangible assets		**843**	2,380
Rental deposits paid to related parties		**13,672**	14,232
Prepayment for acquisition of property, plant and equipment		**–**	53,206
Financial assets at fair value through profit or loss		**524**	79,837
		769,990	823,303
Current assets			
Inventories		**861,356**	508,649
Trade receivables	*12*	**57,259**	29,529
Deposits, prepayments and other receivables		**300,761**	374,436
Amount due from a related party		**14,183**	14,232
Derivative financial instruments		**–**	3,208
Pledged bank deposits		**95,854**	39,126
Cash at banks and in hand		**273,893**	130,382
		1,603,306	1,099,562
Current liabilities			
Trade payables	*13*	**14,551**	20,435
Receipts in advance, accrued charges and other payables		**119,015**	166,408
Amount due to a related party		**–**	2,276
Derivative financial instruments		**161**	–
Provision for taxation		**3,918**	7,097
Borrowings		**547,849**	208,433
		685,494	404,649
Net current assets		**917,812**	694,913
Total assets less current liabilities		**1,687,802**	1,518,216

	2013	2012
	HK$'000	*HK$'000*
Non-current liabilities		
Other payables	**538**	3,089
Borrowings	**40,000**	56,000
Deferred tax liabilities	**1,730**	2,153
	42,268	61,242
Net assets	**1,645,534**	1,456,974
EQUITY		
Share capital	**5,959**	5,959
Reserves	**1,599,542**	1,437,329
Proposed final dividend	**–**	8,939
Equity attributable to the owners of the Company	**1,605,501**	1,452,227
Non-controlling interests	**40,033**	4,747
Total equity	**1,645,534**	1,456,974

NOTES

1. Basis of preparation

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

2. Adoption of new or amended HKFRSs

In the current year, the Group has applied for the first time all of the new standards, amendments and interpretations (the "new or amended HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the year.

The adoption of the new or amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented or on the Group's accounting policies.

At the date of this announcement, the following new or amended HKFRSs, potentially relevant to the Group, have been published but are not yet effective, and have not been adopted early by the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]

[1] *Effective for annual periods beginning on or after 1 July 2012*

[2] *Effective for annual periods beginning on or after 1 January 2013*

[3] *Effective for annual periods beginning on or after 1 January 2014*

[4] *Effective for annual periods beginning on or after 1 January 2015*

The Group has already commenced an assessment of related impact of adopting the above new or amended HKFRSs to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

3. Segment information

The executive directors have identified the following reportable operating segments:

Trading of automobiles and related parts and accessories and provision of after-sale services – Distribute branded automobiles, namely Bentley, Lamborghini and Rolls-Royce, and provide related after-sale services;

Trading of branded watches – Distribute branded watches, namely Richard Mille, DeWitt, Parmigiani and deLaCour BiTourbillon;

Trading of branded jewelleries – Distribute branded jewelleries, namely Boucheron, and Royal Asscher; and

Trading of fine wines – Distribute certain brands of fine wines.

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 are priced with reference to prices charged to external parties for similar order.

	2013				
	Trading of automobiles and related parts and accessories and provision of after-sale services *HK$'000*	**Trading of branded watches** *HK$'000*	**Trading of branded jewelleries** *HK$'000*	**Trading of fine wines** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	2,740,749	125,329	34,613	114,864	3,015,555
Other income	68,887	15,016	5,906	29,108	118,917
Reportable segment revenue	2,809,636	140,345	40,519	143,972	3,134,472
Reportable segment results	106,426	(18,937)	4,718	30,170	122,377
Amortisation of other intangible assets	–	(1,277)	(260)	–	(1,537)
Depreciation of property, plant and equipment	(22,221)	(5,628)	(4,043)	(4,156)	(36,048)
Fair value gains on financial assets at fair value through profit or loss	–	–	–	118	118
Operating lease payments in respect of rented premises	(41,372)	(35,447)	(11,382)	(22,622)	(110,823)
Sub-lease income	–	10,921	3,151	11,027	25,099
Reportable segment assets	1,695,313	270,816	119,604	236,572	2,322,305
Corporate assets:					
– financial assets					47,794
– non-financial assets					3,197
Consolidated total assets					2,373,296
Additions to non-current segment assets during the year	71,201	4,851	–	–	76,052
Reportable segment liabilities	117,807	13,112	1,082	794	132,795
Corporate liabilities:					
– financial liabilities					589,319
– non-financial liabilities					5,648
Consolidated total liabilities					727,762

	2012				
	Trading of automobiles and related parts and accessories and provision of after-sale services *HK$'000*	Trading of branded watches *HK$'000*	Trading of branded jewelleries *HK$'000*	Trading of fine wines *HK$'000*	Total *HK$'000*
Revenue from external customers	4,187,129	187,987	35,854	16,453	4,427,423
Other income	27,914	21,067	5,919	21,247	76,147
Reportable segment revenue	4,215,043	209,054	41,773	37,700	4,503,570
Reportable segment results	250,556	8,590	272	1,621	261,039
Amortisation of other intangible assets	–	(1,277)	(260)	–	(1,537)
Depreciation of property, plant and equipment	(11,666)	(5,177)	(3,711)	(3,364)	(23,918)
Fair value gains on financial assets at fair value through profit or loss	–	–	–	10,171	10,171
Operating lease payments in respect of rented premises	(34,507)	(29,825)	(10,209)	(19,096)	(93,637)
Sub-lease income	–	7,891	2,986	10,450	21,327
Reportable segment assets	1,310,632	253,624	93,666	241,996	1,899,918
Corporate assets:					
– financial assets					19,172
– non-financial assets					3,775
Consolidated total assets					1,922,865
Additions to non-current segment assets during the year	89,878	4,890	2,958	76,189	173,915
Reportable segment liabilities	162,012	24,419	600	4,113	191,144
Corporate liabilities:					
– financial liabilities					265,497
– non-financial liabilities					9,250
Consolidated total liabilities					465,891

The total presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2013	2012
	HK$'000	*HK$'000*
Reportable segment results	**122,377**	261,039
Bank interest income	**1,287**	1,587
Gain on disposal of subsidiary	**912**	–
Unallocated corporate income	**10,842**	–
Fair value (losses)/gains on derivative financial instruments	**(3,369)**	3,208
Equity-settled share option expenses	**–**	(1,443)
Unallocated corporate expenses	**(31,411)**	(29,774)
Finance costs	**(30,826)**	(9,990)
Profit before income tax	**69,812**	224,627

The Group's revenue from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong (domicile)	**2,871,492**	4,322,970	**755,730**	729,119
Malaysia	**144,063**	104,453	**64**	115
	3,015,555	4,427,423	**755,794**	729,234

The geographical location of customers is based on the location at which the services were provided or the goods delivered. For goodwill and other intangible assets, the geographical location is based on the entities' area of operation. The geographical location of other non-current assets is based on the physical location of the assets. Management determines the Group is domiciled in Mainland China and Hong Kong, which are the Group's principal operating locations.

4. Revenue

Revenue from the Group's principal activities recognised during the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Sale of automobiles	**2,645,699**	4,106,277
Sale of branded watches	**125,329**	187,987
Sale of branded jewelleries	**34,613**	35,854
Sale of fine wines	**114,864**	16,453
Income from provision of after-sale services	**95,050**	80,852
Total revenue	**3,015,555**	4,427,423

5. Other income

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**1,287**	1,587
Bonus from suppliers	**43,859**	25,554
Exchange gains, net	**–**	608
Fair value gains on derivative financial instruments	**–**	3,208
Fair value gains on financial assets at fair value through profit or loss	**118**	10,171
Gain on disposals of financial assets at fair value through profit or loss	**13,823**	–
Gain on disposals of property, plant and equipment	**1,113**	1,279
Gain on disposal of a subsidiary	**912**	–
Imputed interest revenue on trade and other receivables	**4,140**	–
Income from exhibitions and other services income	**13,213**	903
Income from insurance brokerage	**22,215**	14,398
Sub-lease income	**25,099**	21,327
Others	**6,179**	1,907
Total other income	**131,958**	80,942

6. Operating profit

	2013	2012
	HK$'000	*HK$'000*
Operating profit is arrived at after charging/(crediting):		
Amortisation of other intangible assets#	**1,537**	1,537
Auditor's remuneration	**1,500**	1,650
Cost of inventories recognised as expense	**2,730,681**	3,975,510
Depreciation of property, plant and equipment##	**36,776**	24,818
Exchange differences, net	**924**	(608)
Fair value losses/(gains) on derivative financial instruments###	**3,369**	(3,208)
Gain on disposals of property, plant and equipment	**(1,113)**	(1,279)
Operating lease payments in respect of rented premises	**120,492**	101,879
Written off of property, plant and equipment	**3,590**	–
Defined contribution retirement benefits scheme contributions for employees	**7,052**	5,018
Staff costs, including directors' emoluments	**37,667**	38,738
Equity-settled share option expenses for staff	**–**	1,443
Total staff costs	**44,719**	45,199

\# *Amortisation of other intangible assets of approximately HK$1,537,000 (2012: HK$1,537,000) has been included in administrative expenses.*

\## *Depreciation of approximately HK$28,107,000 and HK$8,669,000 (2012: HK$18,484,000 and HK$6,334,000) have been included in selling and distribution costs and administrative expenses respectively.*

\### *The amount has been included in other operating expenses (2012: other income).*

7. Finance costs

	2013	2012
	HK$'000	*HK$'000*
Interest expenses on financial liabilities stated at amortised costs:		
– bank loans and overdrafts wholly repayable within five years	**30,826**	9,990

8. Income tax expense

Hong Kong Profits Tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the year. Taxation on profits derived outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

Income tax of certain subsidiaries of the Company in the PRC is charged at 25% (2012: 18% to 25%) on deemed profits calculated at 7% to 10% (2012: 7% to 10%) on revenue in accordance with relevant tax regulations in the PRC.

Income tax of certain subsidiaries of the Company in Malaysia is charged at a fixed amount of approximately Malaysia Ringgit ("MYR") 20,000 (equivalent to approximately HK$50,000) (2012: MYR20,000 (equivalent to approximately HK$50,000)) in accordance with relevant tax regulations in Malaysia.

	2013	2012
	HK$'000	*HK$'000*
Current tax		
Hong Kong:		
Current year	**426**	666
Under-provision in prior year	**136**	–
	562	666
Overseas:		
Current year	**3,706**	10,854
	4,268	11,520
Deferred tax		
Current year	**(423)**	(581)
Total income tax expense	**3,845**	10,939

9. Dividends

(a) Dividends attributable to the year

	2013	2012
	HK$'000	*HK$'000*
Interim dividends: HK0.2 cent (2012: HK0.5 cent) per share	**5,960**	14,899
Proposed final dividend: Nil (2012: HK0.3 cent per share)	**–**	8,939
	5,960	23,838

(b) Dividends attributable to previous financial year, approved and paid during the year

	2013	2012
	HK$'000	*HK$'000*
Final dividend of HK0.3 cent (2012: HK1 cent) per share	**8,939**	29,763

No final dividend was proposed in respect of the year ended 31 March 2013. A final dividend out of the contributed surplus of the Company of HK0.3 cent per ordinary share, totalling approximately HK$8,939,000 was paid in respect of the year ended 31 March 2012.

10. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company of HK$66,304,000 (2012: HK$214,188,000) by the weighted average of 2,979,828,850 (2012: 2,978,405,069) ordinary shares in issue during the year ended 31 March 2013.

(b) Diluted

Diluted earnings per share for the year ended 31 March 2013 is the same as basic earnings per share as the potential ordinary shares have no dilutive effect on earnings per share.

Diluted earnings per share for the year ended 31 March 2012 was calculated by dividing the profit attributable to the owners of the Company of HK$214,188,000 by the adjusted weighted average number of ordinary shares in issue during the year ended 31 March 2012.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share for the year ended 31 March 2012 was calculated based on the weighted average of 2,978,405,069 ordinary shares in issue during the year ended 31 March 2012 as used in the calculation of basic earnings per share plus the weighted average of 2,596,800 ordinary shares deemed to be issued at no consideration as if all the outstanding share options had been exercised.

11. Goodwill

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

	2013	2012
	HK$'000	*HK$'000*
Gross carrying amount	**580,679**	580,679
Accumulated impairment	**–**	–
Net carrying amount	**580,679**	580,679

The carrying amount of goodwill, net of any allowance for impairment, is allocated to the cash-generating unit ("CGU") of the business of trading of automobiles and related parts and accessories and provision of after-sale services.

The recoverable amounts for the CGU of the business of trading of automobiles and related parts and accessories and provision of after-sale services as at 31 March 2012 and 2013 were determined based on value-in-use calculations based on 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 CGU operates. The growth rates reflect the long-term estimated average growth rates for the product lines of the CGU.

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

	2013	2012
Growth rates within five-year period	**13% to 15%**	20%
Discount rates	**15%**	15%

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 weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

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

12. Trade receivables

An ageing analysis of trade receivables as at the reporting date, based on the invoice dates, and net of impairment losses, is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**7,072**	20,698
31 – 60 days	**–**	7,143
61 – 90 days	**–**	256
Over 90 days	**50,187**	1,432
	57,259	29,529

It is the Group's credit policy that sales to retail customers are mainly on receipts in advance from customers or cash on delivery while sales to wholesale customers are mainly on a credit basis up to 18 months (2012: up to 12 months).

13. Trade payables

The following is an ageing analysis of trade payables as at the reporting date:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**9,079**	11,855
31 – 60 days	**2,793**	4,597
61 – 90 days	**572**	600
Over 90 days	**2,107**	3,383
	14,551	20,435

BUSINESS REVIEW

CHAIRMAN'S STATEMENT

2012 was a year full of challenges, even though the US situation improved moderately while the Eurozone nations' debt problems were still unsolved. Real GDP growth in the Mainland China was 7.8%, slightly better than the forecast of 7.5%.

In view of the challenging environment in this financial year, our board of directors had expected a drop in profit after tax and decided to issue a profit warning on 14 May 2013. Based on the announcement, the Board would like to inform the shareholders of the Company and potential investors that the Group was expected to record a substantial decrease in profit for the year ended 31 March 2013 compared with the year ended 31 March 2012. The expected substantial decrease in profit was mainly due to the significant decrease in revenue and substantial decrease in gross profit of the Group's automobile dealership business in the People's Republic of China ("PRC"), resulting from keen competition due to an increase in the number of dealers of super-luxury automobiles in the PRC market.

During this financial year, the Group's revenue decreased by 32%, reaching HK$3.016 billion, compared with HK$4.427 billion in the previous financial year. Gross profit for the financial year decreased by 37%, reaching HK$284.9 million, compared with HK$451.9 million in the previous financial year. Net profit for this financial year decreased by 69%, reaching HK$66.0 million compared with HK$213.7 million in the previous financial year. The drop in gross profit was mainly because of the drastic decrease in auto sales in this financial year versus the previous one. The auto business is a major income driver, accounting for approximately 91% of our business. Finance cost surged to HK$30.8 million from HK$10.0 million in the previous financial year due primarily to the auto division for taking delivery of new cars.

China's Luxury Goods & China Auto Markets

There are quite a few ongoing updates and research reports from reputable authorities, investment banks and global research houses mentioning "the slowdown of the China Luxury Goods Markets". According to a research "Luxury Without Borders: China's New Class of Shoppers Take on the World" issued by consulting firm McKinsey & Company in December 2012, consumption of luxury goods in China's domestic market has surged at between 16% and 20% per annum for the past 4 years. That pace of growth is subsiding to a projected annual rate in the 12% to 16% range between now and 2015. It also predicted that the Chinese share of the global market, including spending by consumers outside the country, is certain to rise in the next three years to about 34%. The report concluded that even if the market is slowing, the outlook is robust, and there is no denying that the Chinese have become the world's most important luxury buyers.

"Luxury Goods Worldwide Market Study (Spring 2013 update)" issued by Bain & Company with Fondazione Altagamma on 16 May 2013 forecast luxury goods growth cooling worldwide to 4% to 5% in 2013 from 5% in 2012 at constant exchange rates. It also forecast global luxury goods sales would rise at a compound annual growth rate of 5% to 6% between 2013 and 2015 at constant exchange rates. Growth in the Asia-Pacific region, excluding mainland China, would reach 7% to 9% in 2013, down from 10% last year at constant currencies. For mainland China, it forecast growth of 6% to 8% at constant currencies.

Despite slowing sales in China, the market is still optimistic and China is widely expected to become the world's biggest luxury car market by 2016. According to a report named "Upward Mobility: The Future of China's Premium Car Market" by McKinsey & Company dated March 2013, over the past 10 years, the luxury car market in China has grown at an average annual growth rate of 36%. Additionally, China is expected to exceed the US as the world's largest premium car market by 2016. It is forecast to sell over 2.3 million units that year and 3 million by 2020.

"The central government's clampdown on official waste and extravagance has put the brakes on China's luxury vehicle market in the first quarter of the year" is based on an article named "Austerity puts luxury car sales in slow lane" in China Daily issued on 7 May 2013. According to the China Association of Automobile Manufacturers, growth in sales for the luxury vehicle sector, dominated by German brands Audi, BMW and Mercedes-Benz, slowed to 4%, far below the 13% annual growth in the passenger car market. Local media reported that the Chinese government is considering introducing a 20% tax on ultra-luxury vehicles priced higher than RMB1.7 million per unit, which would pose a threat to the sale of ultra-luxury vehicles in China as well. The author of a report issued by HSBC global research, "Initial thoughts on the potential luxury vehicle tax in China" on 22 May 2013 believed that even the tax is implemented, the number of ultra-luxury vehicles affected would contribute less than 1% to the premium car market with annual sales of 1.2 million units in China in 2012.

BUSINESS REVIEW

Automobile Dealerships

During the year, revenue of the ultra-luxury automobile distributorship of Bentley, Lamborghini and Rolls-Royce recorded an approximate 36% decrease to HK$2.646 billion, compared with HK$4.106 billion in the previous financial year. All ultra-luxury cars under the Group have recorded a drop in sales during this financial year. Among all car brands under our Group, Bentley has performed the best among the others with a total of 351 units sold, representing a 28% decrease in units sold in this financial year compared with 487 during the previous financial year.

According to the article named "Bentley Introduces the New Flying Spur to China" dated 20 April 2013 under Bentley Motors Worldwide's official website, Bentley Motors has introduced the new Flying Spur to Greater China, alongside the Continental GT Speed, and its pinnacle flagship model, the Mulsanne. The brand has also announced its plans to expand its dealer network in Greater China, reinforcing China as a key market for Bentley's continued success as the company aims for double-digit growth in 2013. We strongly believe those new car models and expansion plan in China of the brand shall help the Group to restore returns to our shareholders as one of the top dealers in the China market.

Lamborghini Beijing has recorded a 41% drop in unit sales to 47 units sold during this financial year, compared with 79 in the previous financial year. We are glad to report the disposal of Lamborghini Dalian was completed and the receipt of a one-off gain of HK$0.9 million.

Rolls-Royce's performance was the weakest in terms of the decline in percentage of unit sales among our 3 brands during this financial year with a total of 153 units sold, representing a decrease of 44% compared with 271 in the previous financial year.

Encouragingly, income from provision of after-sales services was stable and continued to increase during this financial year. Total revenue recorded an 18% increase during this financial year compared with the previous financial year. Regarding the gross profit margin, we have recorded a drop from 62% to 58% during last and this financial year because the up-and-running Tianjin after-sales service center was not profitable.

Although the performance was weak during this financial year, the Group is committed to reviving the auto business as we are going to relocate auto showrooms in Jin Bao street to Sanlitun in or about July 2013. Our strategy is to centralize all our car showrooms close to one another and also next to our Beijing Sparkle Roll Luxury World (China Headquarter) so that they can synergize with each other. This will constitute continuing connected transactions to be disclosed in detail in a separate announcement in the near future in compliance with the Listing Rules. At the same time, the Group re-purchased Tianjin's subsidiary interests of 30% at a consideration of RMB72,000,000 on 1 June 2013 from a minority shareholder to show our faith in the auto business.

Watch Distributorships

During the year, the performance of our super deluxe branded watch division recorded a drop. Parmigiani performed best among other watch brands with a total of 189 watches sold, a 41% drop compared with 319 in the previous financial year. Another super brand, Richard Mille, recorded a drop of 46%, with a total of 81 watches sold compared with 150 in the previous financial year. Lastly, DeWitt also recorded lower sales during this financial year compared with the previous financial year with a total of 40 watches sold.

In April 2013, the Group closed our flagships of Richard Mille, DeWitt and Parmigiani located in the Legendale Hotel, Beijing as the Group would like to consolidate our watch and jewelry businesses under one roof to accomplish our "Luxury World concept" as mentioned previously in our interim report. The Group incurred a one-time write-down of HK$6.6 million arising from these closures, which mainly comprised forfeit of rental deposits and written off of leasehold improvements of these flagships.

Jewellery Distributorships

We are very glad to see sales of top-tier branded jewellery increased in terms of quantity. A total of 469 pieces were sold during this financial year, an increase of 24% compared with the previous financial year when 378 pieces of jewelry were sold.

Royal Asscher, which started operating right after joining our brand alliance in the second quarter of 2011, performed well during this financial year with a total of 26 pieces of jewelry sold, a 189% increase compared with the previous financial year during which 9 high-end jewellery pieces were sold. On 29 January 2013, the Group entered into a trademarks licence and distribution agreement with the brand regarding an exclusive right to use the Royal Asscher trademarks on diamond and diamond accessories within the PRC including Macau but excluding Hong Kong and Taiwan. It took effect from 1 February 2013 for a term of 10 years, with an option to renew for an additional period of 10 years upon expiration. The Directors believe the cooperation with Royal Asscher will substantially increase the Company's market presence in the diamond and high-jewellery business in the PRC in an innovative and prudent manner and will bring profitable returns to the Group.

Boucheron, the first renowned top-tier brand that we acquired, has recorded a drop in sales during this financial year at HK$32.0 million, down 8% from HK$34.8 million in the previous financial year.

After mutual discussion and deliberations, we have prematurely ended our contract in March 2012 with Federico Buccellati, another top-tier branded jewellery. The brand recorded sales of 1 high-end jewelry piece of Federico Buccellati during this financial year.

Fine Wines Dealerships

Due to the anti-extravagance campaign of the Chinese Government, the overall performance of the fine wines division slowed down in the second half of this financial year. Still, total sales during this financial year reached HK$114.9 million versus HK$16.5 million in the last financial year, representing an increase of 598%. Sales of top fine wines, which contributed around 93% of the total sales of the fine wines session, rocketed over 27 times from HK$3.9 million to HK$107.2 million during last and this financial year respectively.

However, sales of the Group's private label wine – "Ex-Chateaux"(逸仕賞度) – launched in collaboration with our partner negociants from Bordeaux, dropped 39% during this financial year to HK$7.6 million when compared with last financial year.

Additionally, our investment in wine futures or "En Primeur 2011" was disposed of in the first half of this financial year.

Other Distributorships

Buben & Zorweg, a top-notch Austrian manufacturer in Objects of Time, performed well and recorded sales of 16 pieces of high-end products during this financial year.

In January 2013, the Group was appointed a non-exclusive retailer of Bang & Olufsen branded audio and visual consumer electronics products in Wuhan, Wuxi and Chongqing; a non-exclusive retailer of B&O PLAY branded audio and visual consumer electronics products in the PRC; a non-exclusive distributor of the B&O PLAY branded audio and visual consumer electronics products to third-party resellers in the PRC; and a non-exclusive retailer and/or distributor of the B&O PLAY branded audio and visual consumer electronics products through online shop(s) in the PRC. There was no record of sales as of 31 March 2013 for both brands. The Group has opened 9 dedicated B&O PLAY stores ("POS") with 6 in Beijing, 1 in Zhengzhou, 1 in Shanghai and 1 in Shijiazhuang subsequent to 31 March 2013. For B&O PLAY, we intend to open not less than 50 POS before the end of 2013.

RECENT DEVELOPMENT AND PROSPECT

On 20 March 2013, the National Development and Reform Commission (NDRC) and Certification and Accreditation Administration of the People's Republic of China (CNAC) issued the document "Interim Measure for Certification Management of Low-carbon Products". By the end of 2015, China aims to lower its energy consumption per unit of GDP by 17%, according to the government's 12th Five-Year Plan (2011-2015). And by 2020, China aims to get 15% of its total energy demand from low-carbon sources. We foresee electric vehicles will getting more popular than fuel vehicles in the coming decade.

Recently, rumors of a luxury tax of 20% on luxury vehicles carrying price tags of at least RMB1.7 million to RMB1.8 million have been appearing across the Chinese media, according to Global Auto Sources, Gasgoo.com issued on 21 May 2013. An official from the China Association of Automobile Manufacturers, who wished to remain anonymous, said that the relevant government departments are currently in the process of formulating the policy. We can see our luxury auto sales would improve in the short term as buyers scrambled to buy before the new tax takes effect.

On 5 June 2013, Beijing launched an anti-dumping investigation into European wine imports, a move greeted with alarm in the vineyards of Bordeaux, France. The wine-dumping probe came a day after the European Commission imposed anti-dumping duties on solar panels imported from China. We adopt a wait-and-see attitude towards the possible impact of this anti-dumping investigation on our fine wines division, sales of which are mainly from Bordeaux fine wines since China is Bordeaux's biggest export market accounting for around one in five of the bottles produced in Bordeaux while consumers in China are fond of Bordeaux fine wines.

We are committed to expanding the non-auto businesses, especially because we are optimistic about the potential of the jewelry sector in China. Royal Asscher, one of the jewelry brands under our portfolio, is going to roll out a new business plan to produce diamond jewelry products in China with the brand's craftsmanship and unique engraving technique, so as to create a new product line of "affordable luxury". We have faith that such a plan will enhance our brand's penetration of jewelry business into the China market. At the same time, we will carry out a "litmus test" to expand our presence into second-tier cities apart from Beijing, Shanghai and Tianjin. For B&O, B1 shop will be established in Wuhan as the first step in the foreseeable future, while we intend to open not less than 50 POS by the end of 2013. For Boucheron, additional stores will be established in Beijing, Shanghai and Chengdu.

Additionally, we predict our capital expenditure will be around RMB32 million in the coming financial year, which will be used to realize an upcoming renovation plan for non-auto businesses including watches and jewelry outlets, as well as auto showrooms.

In view of the smooth running of the first-ever "Beijing Sparkle Roll Luxury Brands Culture Expo 2012 Fall" ("SR Luxpo 2012") in early September 2012, we organized the very first "Beijing Sparkle Roll Luxury Brands Culture Pinnacle Forum & Distinguished Exhibition 2013 Spring" ("SR Luxfo 2013") held from 23 to 25 May 2013 at Convention Center of Beijing International Hotel. During the Forum, 6 top brands owners appeared as keynote speakers, and many business representatives exchanged views on the luxury brands culture. At the same time, a Distinguished Exhibition also took place to present lots of top brands, including a total of 42 exhibitors from 11 countries all over the world. The purpose of the forum was to act as an interface between luxury brands and elites of the Chinese luxury industry in a very special ambience. It would open up business cooperation and most importantly, complete the conveying of more luxury brands culture from the world to China. On the other hand, it helped fostering a closer relationship between the Group and the media. In addition to the mini Luxpo extended to Chengdu from 21 to 23 October 2012 as reported in the 2012 Interim Report, a Taiyuan, Shanxi Roadshow was held on 22 to 24 April 2013.

Following the SR Luxfo 2013, we are proud to present the Beijing Sparkle Roll Luxury Brands Expo 2013 Fall ("SR Luxpo 2013"), which will be exquisitely held at the China National Convention Center ("CNCC") from 10 to 14 October 2013. The CNCC is located in the renowned Olympic Green district, neighboring the world-famous Birds Nest and Water Cube. It will be a 5-day large-scale exhibition with the theme of in-depth interpretation of high-end, luxury, independent, and niche brands culture.

Looking ahead, the Group is still cautiously optimistic towards the luxury goods markets in the PRC despite the recent crackdown on extravagant spending by the Chinese Government. We will continue adopting a prudent approach to increase our presence and expand our luxury goods market in the PRC.

On this note, the Board has recommended not to offer a final dividend for this financial year. The Group would like to reserve more capital to meet the challenges ahead.

FINANCIAL REVIEW

The revenue of the Group for the year ended 31 March 2013 of approximately HK$3,015.6 million represented an decrease of approximately 32% compared to approximately HK$4,427.4 million recorded in the corresponding period of last year. The significant decrease in turnover was attributable to the significant decrease of luxury automobile sales, the profit for the year was of HK$66.0 million for the year ended 31 March 2013, as compared with a net profit of approximately HK$213.7 million for the last financial year.

At 31 March 2013, the Group maintained a net cash position with cash at banks and in hand of approximately HK$274.0 million (2012: HK$130.4 million), short-term bank borrowings of approximately HK$547.8 million (2012: HK$208.4 million) and long-term borrowings of approximately HK$40 million (2012: HK$56 million) . The Group had sufficient financial resources and will continue to finance its business development by internal resources and bank borrowings.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2013 (2012: HK0.3 cent), while interim dividend of HK0.2 cent per share (2012: HK0.5 cent per share) had been distributed.

OPERATIONAL REVIEW

Automobile Dealerships

During this financial year, 351 units of Bentley automobiles (2012: 487 units), 47 units of Lamborghini automobiles (2012: 79 units) and 153 units of Rolls-Royce automobiles (2012: 271 units) were sold. Total revenue of approximately HK$2,645.7 million was generated from sales of automobiles compared to HK$4,106.3 million in last year. The gross profit margin for automobiles was 5%, a decrease of around 3% on overall basis as a result of keen competition and increase in purchase cost from manufacturers.

Moreover, after-sale services generated services income of approximately HK$95.1 million compared to HK$80.9 million in last year.

Watch Distributorships

During the year, 81 pieces of Richard Mille (2012: 150 pieces), 40 pieces of DeWitt (2012: 102 pieces), 189 pieces of Parmigiani (2012: 319 pieces) and one piece of deLaCour (2012: nil) were sold.

Sales of watches generated revenue of approximately HK$125.3 million compared to HK$188.0 million in last year. Management believe that decrease of 33% in sales revenue of watches was mainly due to keen competition in Beijing, Tianjin and Shanghai and less revenues generated from our cross-selling campaign to our car owners.

Jewellery Distributorships

During the year, 442 pieces of Boucheron jewelleries (2012: 359 pieces), 26 pieces of Royal Asscher jewelleries (2012: 9 pieces) and one piece of Federico Buccellati jewelleries (2012: 10 pieces) were sold. Sales of jewelleries generated revenue of approximately HK$34.6 million compared to HK$35.9 million in last year, representing a decrease of 3%. Both Boucheron and Royal Asscher had opened their stores in Beijing Sparkle Roll Luxury World (China Headquarter), Beijing Sparkle Roll Luxury World (Hua Mao) and Tianjin Sparkle Roll Luxury World.

Fine Wines Distributorship

During the year, 47,553 bottles (2012: 75,476 bottles) of fine wines including 12,899 bottles (2012: 372 bottles) of top fine wine were sold.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 March 2013, the Group had 428 (2012: 348) employees. Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$44.7 million for the year (2012: HK$45.2 million). All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus.

A new share option scheme was adopted by the Company on 20 August 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2013 were approximately HK$2,373.3 million (2012: HK$1,922.9 million) which were mainly financed by the owners' equity and total liabilities of approximately HK$1,605.5 million (2012: HK$1,452.2 million) and HK$727.8 million (2012: HK$465.9 million) respectively.

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

The Group's bank balances and cash were mainly denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB").

The Group enters into foreign currency forward contracts primarily for hedging its purchases that are mainly denominated in Euro. At 31 March 2013, the Group recognised foreign currency forward contracts with a fair value of HK$0.2 million liabilities (2012: HK$3.2 million assets) as derivative financial instruments.

CAPITAL STRUCTURE

The Group's gearing ratio then computed as total borrowings over the owners' equity was approximately 35.7% as at 31 March 2013 (2012: 18.1%).

EXPOSURE TO FOREIGN EXCHANGE

The revenue of the Group is mainly denominated in HK$ and RMB while the purchases and production cost are mainly denominated in Euro, Swiss Franc, HK$ and RMB.

For this year, the Group was mainly exposed to foreign currency exchange risk of Euro, Swiss Franc and RMB and the management mainly monitored the foreign currency exchange risk with advices from the Group's major bankers.

CHARGES ON ASSETS

As at 31 March 2013, bank deposits and inventories of the Group with an aggregate amount of approximately HK$95.9 million (2012: HK$39.1 million) and HK$360.5 million (2012: HK$49.4 million) respectively were pledged to secure bank loans of the Group and general banking facilities granted to the Group.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Group is committed to maintaining a high standard of corporate governance. The Board agrees that corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure that all practices can be met with legal and statutory requirements. Throughout the financial year ended 31 March 2013, the Group has complied with all applicable the code provisions in Corporate Governance Code ("the Code") contained in Appendix 14 of the Listing Rules. The Company has been in compliance with the Code throughout the financial year.

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting of the Company will be held at 4:30 p.m. on 2 September 2013 at The Hong Kong Bankers Club, 43/F, Gloucester Tower, the Landmark, Central, Hong Kong and a notice of annual general meeting will be published and dispatched in the due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 30 August 2013 (Friday) to 2 September 2013 (Monday) (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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 29 August 2013 (Thursday).

REVIEW OF FINANCIAL STATEMENTS

The Group's consolidated financial statements for the year ended 31 March 2013 have been reviewed by the audit committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2013 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 the preliminary announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules to govern securities transactions by the Directors. After having made specific enquiry to all Directors, all Directors confirmed that they complied with the Model Code during the year.

The annual report for the year ended 31 March 2013 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, 20 June 2013

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. Zhao Xiao Dong. 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.