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 2015

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 2015, together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Notes	**2015** **HK$'000**	2014 HK$'000 (Re-presented)
Revenue	*5*	**2,605,701**	3,161,848
Cost of sales		**(2,417,274)**	(2,949,709)
Gross profit		**188,427**	212,139
Other income	*6*	**208,651**	180,672
Selling and distribution costs		**(279,131)**	(257,646)
Administrative expenses		**(80,299)**	(81,106)
Other operating expenses		**(9,622)**	–
Impairment loss on goodwill	*12*	**(374,508)**	–
Impairment loss on property, plant and equipment		**(43,767)**	–
Impairment loss on intangible assets		**(19,821)**	–

* *for identification purpose only*

	Notes	2015 HK$'000	2014 HK$'000 (Re-presented)
Operating (loss)/profit	*7*	**(410,070)**	54,059
Finance costs	*8*	**(48,233)**	(35,933)
(Loss)/profit before income tax		**(458,303)**	18,126
Income tax expense	*9*	**(319)**	(852)
(Loss)/profit for the year		**(458,622)**	17,274
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(5,545)**	17,891
Total comprehensive income for the year		**(464,167)**	35,165
(Loss)/profit for the year attributable to:			
Owners of the Company		**(455,685)**	18,951
Non-controlling interests		**(2,937)**	(1,677)
		(458,622)	17,274
Total comprehensive income attributable to:			
Owners of the Company		**(461,007)**	36,249
Non-controlling interests		**(3,160)**	(1,084)
		(464,167)	35,165
(Losses)/earnings per share attributable to owners of the Company	*11*		
Basic and diluted		**HK(15.3) cents**	HK0.6 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**151,227**	209,813
Goodwill	*12*	**206,171**	580,679
Other intangible assets		**628**	23,215
Rental deposits paid to a related party		**18,181**	18,181
		376,207	831,888
Current assets			
Inventories		**1,499,550**	942,075
Trade receivables	*13*	**136**	5,054
Deposits, prepayments and other receivables		**221,324**	207,683
Amounts due from related parties		**19,410**	18,325
Financial assets at fair value through profit or loss		**–**	549
Pledged deposits		**230,470**	87,803
Cash at banks and in hand		**63,417**	340,235
		2,034,307	1,601,724
Current liabilities			
Trade payables	*14*	**24,065**	28,338
Receipts in advance, accrued charges and other payables		**100,783**	127,863
Derivative financial instruments		**3,880**	–
Provision for taxation		**4,636**	4,887
Borrowings		**1,145,364**	679,496
		1,278,728	840,584
Net current assets		**755,579**	761,140
Total assets less current liabilities		**1,131,786**	1,593,028

	2015	2014
	HK$'000	*HK$'000*
Non-current liabilities		
Other payables	**395**	340
Deferred tax liabilities	**1,046**	1,239
	1,441	1,579
Net assets	**1,130,345**	1,591,449
EQUITY		
Share capital	**5,959**	5,959
Reserves	**1,106,605**	1,567,612
Equity attributable to owners of the Company	**1,112,564**	1,573,571
Non-controlling interests	**17,781**	17,878
Total equity	**1,130,345**	1,591,449

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 Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of new/revised HKFRSs – First effective on 1 April 2014

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
HK(IFRIC)-Int 21	Levies

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

(b) New/amended HKFRSs that have been issued but are not yet effective

The following new/amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9 (2014)	Financial Instruments[5]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[3]
HKFRS 15	Revenue from Contracts with Customers[4]

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

[2] *Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014*

[3] *Effective for annual periods beginning on or after 1 January 2016*

[4] *Effective for annual periods beginning on or after 1 January 2017*

[5] *Effective for annual periods beginning on or after 1 January 2018*

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

HKFRS 9 (2014) – Financial Instruments

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

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

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

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

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

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement and are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, it is preliminarily concluded that the initial application of these new and amended HKFRSs is not expected to have a material impact on the Group's financial statements.

(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The amendments to the Listing Rules in relation to the presentation and disclosures in financial statements, including the amendments with reference to the new Hong Kong Companies Ordinance, Chapter 622 of the laws of Hong Kong, will first apply to the Company in its financial year ending on 31 March 2016.

The Directors consider that there will be no impact on the Group's financial position or performance. However, the amendments to the Listing Rules would have impacts on the presentation and disclosures in the financial statements.

3. Re-presentation of previously reported information

Cost of sales and other income

During the year, the Directors have reviewed the nature of the Group's bonuses from suppliers and have decided to change its classification of certain types of such bonuses from other income to cost of sales. Management considers that such reclassification provides reliable and more relevant information because it results in more consistency with local industry practice.

For consistency, the cost of sales and other income for the year ended 31 March 2014 have been re-presented and the impact is set out below:

	As previously reported	**Reclassification**	**As re-presented**
	HK$'000	*HK$'000*	*HK$'000*
Cost of sales	2,999,582	(49,873)	2,949,709
Other income	230,545	(49,873)	180,672

The reclassification has no financial impact to the Group's consolidated statement of financial position, the consolidated statement of cash flows and the consolidated statement of changes in equity.

4. Segment information

The executive Directors have identified the following reportable operating segments:

Automobiles and related parts and accessories and provision of after-sale services – Distribution of branded automobiles, namely Bentley, Lamborghini and Rolls-Royce; provision of related after-sale services and provision of training services in respect of knowledge and skill of distributorship of branded automobiles;

Branded watches – Distribution of branded watches, namely Richard Mille, DeWitt, Parmigiani, deLaCour and Buben & Zorweg;

Branded jewelleries – Distribution of branded jewelleries, namely Boucheron and Royal Asscher;

Fine wines – Distribution of certain brands of fine wines;

Audio equipment – Distribution of audio equipment; and

Apparels – Distribution of menswear apparels and accessories

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. Inter-segment transactions are priced with reference to prices charged to external parties for similar order.

	2015						
	Automobiles and related parts and accessories and provision of after-sale services *HK$'000*	**Branded watches** *HK$'000*	**Branded jewelleries** *HK$'000*	**Fine wines** *HK$'000*	**Audio equipment** *HK$'000*	**Apparels** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	2,445,514	89,073	30,746	10,758	28,613	997	2,605,701
Other income	137,535	14,400	5,578	15,281	–	–	172,794
Reportable segment revenue	2,583,049	103,473	36,324	26,039	28,613	997	2,778,495
Reportable segment results	(293,625)	(23,283)	(48,417)	(30,715)	(5,283)	(1,109)	(402,432)
Amortisation of other intangible assets	–	(65)	(2,701)	–	–	–	(2,766)
Depreciation of property, plant and equipment	(24,899)	(7,466)	(4,919)	(6,960)	(24)	(118)	(44,386)
Fair value gain on financial assets at fair value through profit or loss	–	–	–	5	–	–	5
Impairment loss on goodwill	(374,508)	–	–	–	–	–	(374,508)
Impairment loss on property, plant and equipment	–	(11,746)	(16,016)	(16,005)	–	–	(43,767)
Impairment loss on intangible assets	–	–	(19,821)	–	–	–	(19,821)
Income from training services	51,300	–	–	–	–	–	51,300
Operating lease payments in respect of rented premises	(44,199)	(28,412)	(13,306)	(21,388)	(673)	(1,081)	(109,059)
Sub-lease income	–	9,656	3,654	12,788	–	–	26,098
Reportable segment assets	1,846,989	237,028	139,460	91,695	43,150	8,782	2,367,104
Deposits, prepayments and other receivables							18,324
Corporate assets:							
– financial assets							20,174
– non-financial assets							4,912
Consolidated total assets							2,410,514
Additions to non-current segment assets during the year	27,827	2,219	921	–	13	2,237	33,217
Reportable segment liabilities	97,016	8,037	1,986	2	13,216	3,334	123,591
Borrowings							1,145,364
Derivative financial instruments							3,880
Corporate liabilities:							
– financial liabilities							1,652
– non-financial liabilities							5,682
Consolidated total liabilities							1,280,169

	2014					
	Automobiles and related parts and accessories and provision of after-sale services	Branded watches	Branded jewelleries	Fine wines	Audio equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Re-presented)					(Re-presented)
Revenue from external customers	2,968,028	120,285	44,104	7,710	21,721	3,161,848
Other income	127,324	19,903	6,349	14,451	–	168,027
Reportable segment revenue	3,095,352	140,188	50,453	22,161	21,721	3,329,875
Reportable segment results	99,672	(1,370)	(6,599)	(15,179)	(3,798)	72,726
Amortisation of other intangible assets	–	(373)	(2,817)	–	–	(3,190)
Depreciation of property, plant and equipment	(22,505)	(4,984)	(4,940)	(7,713)	(11)	(40,153)
Fair value gains on financial assets at fair value through profit or loss	–	–	–	25	–	25
Income from training services	47,200	–	–	–	–	47,200
Operating lease payments in respect of rented premises	(42,352)	(23,212)	(12,339)	(21,383)	(508)	(99,794)
Sub-lease income	–	9,121	3,428	11,997	–	24,546
Reportable segment assets	1,715,107	311,863	172,816	146,287	60,813	2,406,886
Corporate assets:						
– financial assets						17,798
– non-financial assets						8,928
Consolidated total assets						2,433,612
Additions to non-current segment assets during the year	61,658	6,984	37,440	–	117	106,199
Reportable segment liabilities	129,223	17,193	2,069	389	6,222	155,096
Borrowings						679,496
Corporate liabilities:						
– financial liabilities						1,445
– non-financial liabilities						6,126
Consolidated total liabilities						842,163

Unallocated corporate income and expenses mainly comprised income from exhibition and other services income, consultancy fee income and other corporate income and expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

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

	2015	2014
	HK$'000	*HK$'000*
Reportable segment results	**(402,432)**	72,726
Bank interest income	**1,637**	1,410
Unallocated corporate income	**34,220**	11,074
Net realised and unrealised (losses)/gains on derivative financial instruments	**(9,622)**	161
Unallocated corporate expenses	**(33,873)**	(31,312)
Finance costs	**(48,233)**	(35,933)
(Loss)/profit before income tax	**(458,303)**	18,126

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**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong (domicile)	**2,497,543**	3,023,783	**337,383**	790,664
Malaysia	**108,158**	138,065	**20,643**	23,043
	2,605,701	3,161,848	**358,026**	813,707

The geographical location of customers is based on the location where the services were provided or the goods were 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 of the Company determines that the Group is domiciled in Mainland China and Hong Kong, which are the Group's principal operating locations.

5. Revenue

The Group's principal activities are sale of automobiles, branded watches and jewelleries, fine wines, audio equipment and apparels and provision of automobile related after-sale services. Turnover of the Group is the revenue from these activities.

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

	2015	2014
	HK$'000	*HK$'000*
Sale of automobiles	**2,308,608**	2,849,038
Sale of branded watches	**89,073**	120,285
Sale of branded jewelleries	**30,746**	44,104
Sale of fine wines	**10,758**	7,710
Sale of audio equipment	**28,613**	21,721
Sale of apparels	**997**	–
Income from provision of after-sale services	**136,906**	118,990
	2,605,701	3,161,848

6. Other income

	2015	2014
	HK$'000	*HK$'000*
		(Re-presented)
Bank interest income	**1,637**	1,410
Bonus from suppliers	**50,402**	48,047
Net realised and unrealised gain on derivative financial instruments	**–**	161
Fair value gains on financial assets at fair value through profit or loss	**5**	25
Gain on disposals of property, plant and equipment	**700**	523
Imputed interest revenue on trade and other receivables	**–**	2,429
Income from exhibitions and other services income	**10,241**	13,938
Income from insurance brokerage	**35,657**	33,069
Income from training services*	**51,300**	47,200
Sub-lease income	**26,098**	24,546
Consultancy fee income^	**27,000**	–
Management fee income	**2,488**	–
Others	**3,123**	9,324
	208,651	180,672

* *Income from training services represented income from provision of training of initiating knowledge and skill of distributorship of branded automobiles.*

^ *Consultancy fee income represented income from provision of consultancy service in relation to an investment project referred by the Group.*

7. Operating (loss)/profit

	2015	2014
	HK$'000	*HK$'000*
Operating (loss)/profit is arrived at after charging/(crediting):		
Amortisation of other intangible assets#	**2,766**	3,190
Auditors' remuneration	**1,600**	1,600
Cost of inventories recognised as expense	**2,417,274**	2,949,709
Depreciation of property, plant and equipment##	**44,556**	40,358
Exchange differences, net	**(940)**	892
Net realised and unrealised losses/(gains) on derivative financial instruments###	**9,622**	(161)
Gain on disposals of property, plant and equipment	**(700)**	(523)
Operating lease payments in respect of rented premises	**122,498**	113,786
Defined contribution retirement benefits scheme contributions for employees	**9,988**	10,269
Staff costs, including directors' emoluments	**41,333**	41,547
Total staff costs	**51,321**	51,816

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

Depreciation of approximately HK$36,484,000 and HK$8,072,000 (2014: HK$32,480,000 and HK$7,878,000) have been included in selling and distribution costs and administrative expenses respectively.

The amount has been included in other operating expenses (2014: other income).

8. Finance costs

	2015	2014
	HK$'000	*HK$'000*
Interest expenses on financial liabilities stated at amortised costs:		
– borrowings wholly repayable within five years	**48,233**	35,933

9. Income tax expense

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year.

Income tax of certain subsidiaries of the Company in Mainland China is charged at 25% (2014: 25%) on estimated assessable profit in accordance with relevant tax regulations in Mainland China.

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

	2015	2014
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
Charge for the year	**87**	412
– Other jurisdictions		
Charge for the year	**288**	931
Under-provision in prior year	**137**	–
Deferred tax	**(193)**	(491)
Total income tax expense	**319**	852

10. Dividends

No dividend was paid, declared or proposed by the Group in respect of the years ended 31 March 2014 and 2015.

11. (Losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing the losses attributable to owners of the Company of approximately HK$455,685,000 (2014: profit of HK$18,951,000) by the weighted average of 2,979,828,850 (2014: 2,979,828,850) ordinary shares in issue during the year ended 31 March 2015.

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

12. Goodwill

Group

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

	2015	2014
	HK$'000	*HK$'000*
Gross carrying amount	**580,679**	580,679
Accumulated impairment	**(374,508)**	–
Net carrying amount	**206,171**	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 "Automobiles CGU").

The recoverable amount for the Automobiles CGU as at 31 March 2014 and 2015 was determined based on the value-in-use calculations using pre-tax cash flow projections from formally approved budgets, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at zero percent growth, which do not exceed the long-term growth rate for the business in which Automobiles CGU operates. The growth rate reflects the long-term estimated average growth rates for the product lines of the Automobiles CGU.

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

	2015	2014
Growth rate after five-year period	**0%**	0%
Discount rate	**11.98%**	13.84%

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

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

The Group had originally anticipated that there would be significant growths of revenue and profitability of the Automobiles CGU as at the date of acquisition. However, in the current year, the growth rates of revenue and profitability of Automobiles CGU had been significantly lower than expected as the anti-extravagance policies from the government of Mainland China has adversely impacted the demand for the Group's luxury products.

The Directors are of the opinion that, based on the value-in-use calculations stated above, goodwill was impaired by HK$374,508,000 (2014: Nil) in order to state the carrying value of the Automobiles CGU to its recoverable amounts of approximately HK$348,000,000 as at the end of reporting period.

13. Trade receivables

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

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**136**	2,835
31 – 60 days	**–**	181
61 – 90 days	**–**	347
Over 90 days	**–**	1,691
	136	5,054

14. Trade payables

Group

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

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**3,970**	11,345
31 – 60 days	**2,890**	4,993
61 – 90 days	**6,885**	1,172
Over 90 days	**10,320**	10,828
	24,065	28,338

CHAIRMAN'S STATEMENT

Full of uncertainties within the US, China and Europe during the year under review was certainly a rocky year. Growth in the US was strengthening gradually while economic performance in Europe was below expectations. According to the National Bureau of Statistics, China's economy grew at its slowest pace in 24 years in 2014 and its GDP growth decreased to 7.4% from 7.7% in 2013. Government targets aimed for "around 7.5%". UBS, a renowned securities firm forecasts China's 2015 GDP growth at 6.8% due to the sluggish economy.

During this financial year, the Group's revenue decreased by 17.6%, reaching HK$2,606 million, compared with HK$3,162 million in the previous financial year. Gross profit for the financial year decreased by 11.2%, reaching HK$188.4 million, compared with HK$212.1 million in the previous financial year. The drop in gross profit was mainly due to the decrease in the sales of automobiles in this financial year versus the previous financial year. The automobiles business was a major income driver, accounting for approximately 94% of our business. Net loss of HK$455.7 million was recorded, primarily owing to aggregate impairment losses of HK$438 million, in this financial year compared with a net profit of HK$18.9 million in the last financial year.

China's Luxury Goods & Automobiles Markets

There are quite a few ongoing updates and research reports available from reputable authorities, investment banks and global research houses mentioning the slowdown of the China luxury goods market. According to the "2014 China Luxury Market Study" issued by Bain & Company on 20 January 2015, as the global luxury market has been adjusting to a "new normal" of lower sales, but more sustainable growth over the long-term, Mainland China trails slowly behind, showing for the first time, a negative trend in 2014: negative one percent growth at approximately RMB115 billion. According to Bain & Company, daigou, or overseas personal shoppers who buy and send luxury goods to customers in China, has grown to an estimated market value of RMB55-75 billion in 2014, concentrated in cosmetics, followed by leather goods, watches and jewellery. This is nearly 50% of the store sales in China. 70% of luxury brands bought by Chinese are now bought abroad or through daigou agencies. Nevertheless, if luxury brands in China would change with the consumer, shed traditional concepts and channels and follow where their customers lead, they will reap the rewards with more sustained growth over the long-term.

According to “Hurun Report on Chinese Luxury Consumer Survey 2015” issued by The Hurun Research Institute on 29 January 2015, the Chinese Government’s crackdown on luxury gifting continues to have its effect, with luxury gifting by Chinese luxury consumers down a further 5% last year, taking it to 30% over the past two years. Travel retail continues to change the dynamics of luxury in China, with 7 out of 10 luxury goods bought by Chinese now being bought overseas.

Despite the slowdown of the China luxury goods market, China is still the world’s largest automotive market, the pace of growth has been relentless. In the first half of 2014, the Chinese market led by almost 3.7 million compared with American buyers. According to the statistics published by China Association of Automobile Manufacturers on 14 January 2015, the production and sales of automobiles in China reached 23.72 million and 23.49 million units respectively in 2014, representing an increase of 7.3% and 6.9% respectively.

Automakers keep their sights on the China market as the number of premium brands continue to rise. In the last decade, the China market expanded by nearly five-fold, from 4.3 million vehicles to 19.9 million vehicles. This increase continued whilst the automotive markets in other countries were experiencing severe declines as forecasted by PwC’s Automotive Practice, which is a team of automotive industry specialists dedicated to ongoing analysis of sector trends under an article named “Automakers Hungry For Chinese Luxury Car Market PwC’s Autofacts” dated 2 June 2014. Even as the Chinese automotive market grew only marginally in 2011, the luxury segment still grew 54.5%. By the end of 2013, the luxury segment was still enjoying double-digit growth of 18.4%, reaching sales of 1.4 million units, second only to the US. Autofacts therefore forecasts that China is expected to surpass the US in luxury sales by 2016 and the Chinese automotive market will surpass the average luxury penetration rate of 10% of mature markets like the US to reach just over 3 million units by 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Automobile Dealerships

During the year under review, revenue of the ultra-luxury automobile distributorships of Bentley, Lamborghini and Rolls-Royce recorded an approximate 19% decrease to approximately HK$2,309 million, as compared with approximately HK$2,849 million in the previous financial year. Of our 3 brands, Bentley, Rolls-Royce and Lamborghini, all recorded sales drop due to the ongoing anti-corruption campaign by the Chinese government. Bentley had performed the best among the Group's other brands with total sales of HK$1,321.2 million, representing a mere 4% drop compared with HK$1,375.4 million during the previous financial year.

Rolls-Royce recorded a decline in sales during this financial year with a total of HK$862.1 million, representing a significant decrease of 32% compared with HK$1,271.7 million in the previous financial year.

Lamborghini Beijing recorded a 38% drop in sales to HK$125.4 million during this financial year, compared with HK$201.9 million in the previous financial year.

Gross profit margins of all 3 brands improved while the Group continued enjoying bonuses from the brands which were deducted from cost of sales.

Numbers of automobiles sold in this year were 358 units of Bentley, 23 units of Lamborghini and 136 units of Rolls-Royce compared with 329 units of Bentley, 37 units of Lamborghini and 198 units of Rolls-Royce respectively in the previous financial year.

Encouragingly, income from provision of after-sales services increased during this financial year. Total revenue recorded a 15% increase during this financial year compared with the previous financial year. Regarding the gross profit margin, we saw a drop from 51% last year to 40% this year. The decline in gross profit margin was due to one-off gifts to our customers as part of a promotion campaign in this financial year and was therefore temporary in nature.

Watch Dealerships

During the year under review, the performance of our super deluxe branded watch division recorded sales decline. Richard Mille dropped 23%, with a total of 64 watches sold as compared with 83 watches sold in the previous financial year. Parmigiani, another brand under our portfolio, recorded a decrease of 44%, with a total of 125 watches sold as compared with 222 watches sold in the previous financial year. DeWitt recorded increase in unit sales during this financial year with a total of 24 watches sold as compared with 20 watches sold in the previous financial year. DelaCour, after switching to its basic models from Bi-Tourbillon models, recorded an increase in unit sales with a total of 12 watches sold, as compared with 6 watches sold in the previous financial year.

Buben & Zorweg, a top-notch Austrian manufacturer in Objects in Time, recorded sales of 21 pieces of high-end products during this financial year, compared with 20 pieces in the last financial year.

Jewellery Distributorships

Sales of top-tier branded jewellery decreased in term of quantity and sales amount. A total of 514 pieces were sold during this financial year, a drop by 33% as compared with the previous financial year in which, 764 pieces of jewellery were sold.

Boucheron recorded a drop in sales during this year at HK$27.93 million, down 35% from HK$42.74 million in the previous year. A total of 417 units of Boucheron were sold, representing a decrease of 44% compared with 748 units in the previous financial year.

Royal Asscher, another high-end brand under our Group, recorded sales revenue of HK$2.69 million as compared with HK$1.36 million in the previous financial year. 85 pieces of jewellery were sold as compared with 16 pieces sold in the previous financial year, attributable to sales of more affordable items during this financial year.

Fine Wines Dealerships

Total sales of fine wine division increased by 40% to HK$10.76 million. However, sales of top fine wines, dropped 37% from HK$1.07 million to HK$0.67 million in this financial year.

Nevertheless, sales of the Group's private label wine – "Ex-Chateaux"(逸仕賞度) – launched in collaboration with our partner negociants from Bordeaux, increased 52% during this financial year to HK$10.09 million as compared with that of the last financial year due to the bulk sales of the same in this year. We are also glad to report that during this financial year, we managed to open 3 online stores and established one retailer for "Ex-Chateaux".

Furthermore, the Group continued to provide management services in the sales and marketing of Moutai Jackie Chan Liquor (茅台成龍酒) in the PRC, a management fee of HK$2.49 million during this financial year was received.

Other Dealerships

For Bang & Olufsen, the Group was appointed as a non-exclusive retailer and distributor of the brand's branded audio and visual consumer electronics products in the PRC in January 2013. The brand had a satisfactory performance during this financial year, recording sales of 8,613 pieces of B&O PLAY, a 39% increase compared with 6,181 pieces in the last financial year. Currently, there are 37 POS and 2 online stores under operations and we intend to open 8 additional POS before the end of 2015.

The Group was appointed as a non-exclusive dealer of Corneliani, an Italian luxury menswear brand, in the PRC and Macau on 28 November 2014. The brand had a satisfactory performance during this financial year, recording sales of 217 pieces of high-end clothing articles and menswear products. The Group is currently operating 2 POS and we intend to open 4 additional POS before the end of 2015.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 March 2015 of approximately HK$2,605.7 million represented a decrease of approximately 17.6% as compared with approximately HK$3,161.8 million recorded in the last year. The decrease was due to the PRC government's anti-extravagance policies which adversely impacted the demand for the Group's luxury products, particularly in the fourth quarter of the year under review. The table below sets out the Group's revenue for the year indicated:

	FY2015		**FY2014**		**Changes**	
		Contribution		*Contribution*		
Revenue Source	*HK$'000*	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*%*
Sales of automobiles	2,308,608	88.6%	2,849,038	90.1%	(540,430)	-19.0%
Income from provision of after-sales service	136,906	5.3%	118,990	3.8%	17,916	15.1%
Sales of branded watches	89,073	3.4%	120,285	3.8%	(31,212)	-25.9%
Sales of branded jewelleries	30,746	1.2%	44,104	1.4%	(13,358)	-30.3%
Sales of fine wines	10,758	0.3%	7,710	0.2%	3,048	39.5%
Sales of audio equipment	28,613	1.1%	21,721	0.7%	6,892	31.7%
Sales of apparels	997	0.1%	–	0.0%	997	n/a
	2,605,701	100%	3,161,848	100%	(556,147)	-17.6%

Gross profit and gross profit margin

The gross profit of the Group for the year ended 31 March 2015 declined by 11% to approximately of HK$188 million (Re-presented 2014: HK$212 million). The decrease was mainly due to the decrease of the gross profit from sales of automobiles, watches and jewelleries by 10%, 22% and 30% respectively.

The gross profit margin of the Group for the year ended 31 March 2015 increased from 6.7% (re-presented) last year to 7.2%. Such increase was mainly due to an increase in incentive bonuses from automobile manufacturers which were deducted from our cost of sales.

Impairment Losses

Impairment losses of approximately HK$374.5 million (2014: nil) on goodwill in automobile segment and on intangible asset, property, plant and equipment of approximately HK$63.6 million (2014: nil) in watch, jewellery and fine wine segments were recorded in this financial year.

The impairment losses were mainly due to significant changes in the economic and political environment in the PRC which adversely affected the automobile, watch, jewellery and fine wine segments in the fourth quarter of the year under review. It is expected that the situation will continue in the near future in the luxury goods market and the economic performance of the dedicated assets will be worse.

As the recoverable amounts of the assets assessed by an independent professional valuer were significantly lower than their carrying value, impairment losses were recognized against the respective assets.

These impairment losses were non-cash in nature and they did not affect the Group's cash flow condition.

Other operating expenses

The Group recorded other operating expenses of approximately HK$9.6 million for the year ended 31 March 2015 (2014: nil) which were mainly attributable to the losses on forward foreign exchange contracts of HK$9,622,000 (2014: a gain HK$161,000). The losses were arisen from the depreciation of the Euro and Swiss Franc against Hong Kong dollars.

The realised forward foreign exchange contracts losses of approximately HK$5.7 million and the unrealised forward foreign exchange contracts loss was approximately HK$3.9 million. The unrealised forward foreign exchange contracts losses arose from the unsettled forward foreign exchange contracts at the balance sheet dates. The differences in valuation were then recognised in the income statement as unrealised gains or losses.

Finance cost

The finance cost of the Group increased by 34% from HK$35.9 million recorded in the last year to HK$48.2 million recorded for the year ended 31 March 2015. The increase was due to increase in finance costs arising from purchase of automobiles in the fourth quarter of the year under review.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2015 were approximately HK$2,410.5 million (2014: HK$2,433.6 million) which were mainly financed by the owners' equity and total liabilities of approximately HK$1,112.6 million (2014: HK$1,573.6 million) and HK$1,280.2 million (2014: HK$842.2 million) respectively.

Cash Flow

The Group's bank balances and cash as of 31 March 2015 were approximately HK$63.4 million (2014: HK$340.2 million) which were mainly denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB").

The Group's primary uses of cash are to pay for purchases of inventories, to repay the Group's borrowings, to increase the pledged deposit for the purpose of enhancing the banking facilities and to fund the Group's working capital and normal operating costs. Such decrease was mainly attributable to significant increase in inventory at the fourth quarter of this financial year.

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

As at 31 May 2015, the Group's unaudited bank balance and cash were approximately HK$50 million.

Borrowings

The Group's borrowings as at 31 March 2015 were approximately HK$1,145.4 million, representing an increase of 68.6% from approximately HK$679.5 million as at 31 March 2014. The increase was mainly due to increase in the inventory financing in the fourth quarter of the year under review.

As at 31 May 2015, the Group's unaudited borrowings stood at approximately HK$910 million.

Gearing Ratio

The Group's gearing ratio computed as total borrowings over the total equity increased to 101.3% as at 31 March 2015 (2014: 43%). Excluding the impairment losses effect on total equity in this year, the Group's gearing ratio was 73%.

Inventories

As at 31 March 2015, the Group's inventories increased by 59% from approximately HK$942.1 million as at 31 March 2014 to HK$1,499.6 million, primarily due to increase in automobile inventories which comprised approximately 71% of the inventories of the Group. The Group struck a bargain deal with an automobile supplier for a bulk purchase which enabled the Group to enjoy a more favourable unit purchase price with a view to generating a better yield in the future.

The Group's average inventory turnover days increase from 112 days in the year ended 31 March 2014 to 184 days in the year ended 31 March 2015, primarily due to increase in automobile inventory at the fourth quarter of the year under review.

Exposure To Foreign Exchange Risk

The revenue of the Group is mainly denominated in HK$ and RMB whilst the cost of sales are mainly denominated in Euro ("EUR"), Swiss Franc ("CHF"), HK$, and RMB.

For this year, the Group was mainly exposed to foreign currency exchange risk of EUR and CHF and the management monitored the foreign currency exchange risk with advice obtained from the Group's major bankers.

The Group entered into forward foreign exchange contracts primarily for hedging its purchases that were mainly denominated in EUR. At 31 March 2015, the Group recognized derivative financial instruments of forward foreign exchange contracts with a fair value of approximately HK$3.9 million liabilities (2014: nil).

Contingent Liabilities And Capital Commitment

The Group did not have any significant capital commitment as at 31 March 2015 (2014: HK$0.2 million) in respect of acquisition of property, plant and equipment. The Board considered that the Group had no material contingent liabilities as at 31 March 2015.

Charges On Assets

As at 31 March 2015, pledged deposits and inventories of the Group with aggregate carrying amounts of approximately HK$230.5 million (2014: HK$87.8 million) and approximately HK$793.9 million (2014: HK$380.6 million) respectively were pledged to secure general banking facilities and other facilities granted to the Group.

As at 31 May 2015, the Group's unaudited pledged deposits were approximately HK$190 million.

Human Resources

As at 31 March 2015, the Group had 477 (2014: 488) employees. Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$51.3 million for the year (2014: HK$51.8 million).

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

RECENT DEVELOPMENT AND PROSPECT

As mentioned in our previous interim report for 30 September 2014, the PRC government has implemented three automobile policies including discontinuation of car distributorship and dealership registrations by brands, parallel import and average fuel consumption of passenger cars of automobile enterprises targeted at 6.9 liters per 100 kilometers in 2015. According to an announcement by the Shanghai Municipal Commission of Commerce dated 10 February 2015, the pilot plan in the Shanghai Free Trade Zone approved 17 companies to sell cars under parallel import. Shanghai is the first city in China where auto dealers are authorized for parallel-import from overseas markets. It is expected that if the pilot program proves successful in Shanghai, it will probably be expanded to the other three FTZs in Tianjin, Fujian and Guangdong for experiments in a larger scope, and to subsequently the whole country, according to an article named "Cut-price parallel-imported vehicles could curb hefty price" appeared in Chinadaily.com.cn on 16 February 2015. Besides, Ministry of Industry and Information Technology of the People's Republic of China announced on 5 January 2015 a new revised guideline "Fuel consumption limits for passenger car" and "Fuel consumption evaluation method and targets for passenger car" to be effective on 1 January 2016, which set average fuel consumption of passenger cars of automobile enterprises targeted at 5.0 liters per 100 kilometers in 2020. Such development is bringing about threats and opportunities to automobile business in the PRC, including the ultra-luxury segment. We will continue monitoring closely the impacts on our automobile business.

On 21 January 2015, the Group entered into a framework agreement with Oettinger Davidoff AG (ODAG) for joint development of cigars and smoker's accessories retail business in China. Pursuant to the framework agreement, the Group shall arrange the joint venture company ("JV Company"), owned as to 50.1% and 49.9% by the Group and ODAG respectively, to be formed to carry out the retail business for the import and distribution of ODAG's cigars and smoker's accessories. It was envisaged that the detailed commercial terms for the JV Company will be discussed and agreed in a definitive agreement on or before 31 May 2015. After the signing of the definitive agreement, the Group and ODAG shall contribute US$1,503,000 (equivalent to approximately HK$11,723,000) and US$1,497,000 (equivalent to approximately HK$11,677,000) respectively into the share capital of the JV Company. The term of operation of the JV Company shall be three years commencing from the date of the definitive agreement. As at the date of this announcement, the Company and ODAG are still in the process of negotiating and finalizing the terms of the Definitive Agreement. The Group and ODAG entered into an extension agreement to extend the deadline to 30 June 2015 (or such other date as mutually agreed) for entering into the definitive agreement as announced by us on 29 May 2015.

Due to the success of our recurring yearly exhibition and pinnacle forum held in Beijing, "Beijing Sparkle Roll Luxury Brands Culture Expo" ("SR Luxpo") and "Beijing Sparkle Roll Luxury Brands Culture Pinnacle Forum & Distinguished Exhibition" ("SR Luxfo"), our Group has achieved the objectives of bridging east and west and fostering cultural exchange. Hence, we would like to spend some time to review and evaluate both events as well as how to further interact with those networks and work on the business opportunities. The Group will not organize SR Luxpo in 2015 and hopes to reserve our manpower for the upcoming SR Luxfo in 2016.

Looking ahead, given the present challenges, we are confident and still committed to continue our leading roles in the luxury goods market in the PRC with our mission in expanding the non-auto businesses to diversify our product portfolio. Meanwhile, the Group targets destocking of our non-auto inventory by organizing more marketing events to promote the sales, improving the financial positions of the Group by reducing the borrowings and/or strengthening the cashflow position and we will adopt a prudent and, to a certain extent, innovative approach in pursuing our future luxury business development. The Group is eyeing joint ventures of non-auto businesses with capable partners to leverage on their resources, expertise and experience. Our strategy is to put more efforts to develop and expand the non-auto businesses so as to bring profitable returns to our shareholders in future.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: nil), while no interim dividend (2014: nil) had been distributed 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 2015, the Group has complied with all applicable code provisions in Corporate Governance Code contained in Appendix 14 to the Listing Rules.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 4:30 p.m. on 8 September 2015 (Tuesday) 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 despatched in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 September 2015 (Monday) to 8 September 2015 (Tuesday) (both days inclusive) during which period, no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 4 September 2015 (Friday).

REVIEW OF FINANCIAL STATEMENTS

The Group's consolidated financial statements for the year ended 31 March 2015 have been reviewed by the audit committee of the Company. The figures contained in this preliminary announcement of the Group's results for the year ended 31 March 2015 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 preliminary announcement.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to govern securities transactions by the Directors. After having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code during the year and up to the date of this announcement.

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

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

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

The annual report for the year ended 31 March 2015 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, 26 June 2015

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.