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 2016

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 2016, together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	4	**2,376,904**	2,605,701
Cost of sales		**(2,187,801)**	(2,417,274)
Gross profit		**189,103**	188,427
Other income and net gains	5	**122,379**	208,651
Selling and distribution costs		**(229,577)**	(279,131)
Administrative expenses		**(65,772)**	(80,299)
Other operating expenses		**–**	(9,622)
Impairment loss on goodwill	11	**–**	(374,508)
Impairment loss on property, plant and equipment		**–**	(43,767)
Impairment loss on other intangible asset		**–**	(19,821)

* *for identification purpose only*

	Notes	2016 HK$'000	2015 HK$'000
Operating profit/(loss)	*6*	**16,133**	(410,070)
Finance costs	*7*	**(49,326)**	(48,233)
Loss before income tax		**(33,193)**	(458,303)
Income tax expense	*8*	**(487)**	(319)
Loss for the year		**(33,680)**	(458,622)
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		**(24,541)**	(5,545)
Total comprehensive income for the year		**(58,221)**	(464,167)
Loss for the year attributable to:			
Owners of the Company		**(32,328)**	(455,685)
Non-controlling interests		**(1,352)**	(2,937)
		(33,680)	(458,622)
Total comprehensive income attributable to:			
Owners of the Company		**(56,386)**	(461,007)
Non-controlling interests		**(1,835)**	(3,160)
		(58,221)	(464,167)
Losses per share attributable to owners of the Company	*10*		
Basic and diluted		**HK(1.1) cents**	HK(15.3) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**107,023**	151,227
Goodwill	*11*	**206,171**	206,171
Other intangible asset		**550**	628
Amount due from a non-controlling interest		**2,320**	–
Rental deposits paid to a related party		**17,554**	18,181
		333,618	376,207
Current assets			
Inventories		**1,000,203**	1,499,550
Trade receivables	*12*	**8,527**	136
Deposits, prepayments and other receivables		**152,350**	221,324
Amounts due from related parties		**18,677**	19,410
Amount due from a non-controlling interest		**9,281**	–
Pledged deposits		**55,686**	230,470
Cash at banks and in hand		**157,164**	63,417
		1,401,888	2,034,307
Current liabilities			
Trade payables	*13*	**27,444**	24,065
Receipts in advance, accrued charges and other payables		**129,545**	100,783
Amount due to a non-controlling interest		**1,284**	–
Derivative financial instruments		**–**	3,880
Provision for taxation		**3,458**	4,636
Borrowings		**488,740**	1,145,364
		650,471	1,278,728

	2016	2015
	HK$'000	*HK$'000*
Net current assets	**751,417**	755,579
Total assets less current liabilities	**1,085,035**	1,131,786
Non-current liabilities		
Other payables	**273**	395
Deferred tax liabilities	**1,036**	1,046
	1,309	1,441
Net assets	**1,083,726**	1,130,345
EQUITY		
Share capital	**5,959**	5,959
Reserves	**1,050,219**	1,106,605
Equity attributable to owners of the Company	**1,056,178**	1,112,564
Non-controlling interests	**27,548**	17,781
Total equity	**1,083,726**	1,130,345

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

(a) Adoption of new and revised HKFRSs – First effective on 1 April 2015

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 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

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

In addition, the Company has adopted the amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance, Cap. 622, during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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

The following new and revised 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 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Method of Depreciation and Amortisation[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

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

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

[3] *Effective for annual periods beginning on or after 1 January 2019*

HKFRS 9 (2014) – Financial Instruments

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

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

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

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

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

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

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

3. Segment information

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

In prior years, the executive directors have identified the reportable and operating segments by major product and service lines. During the year ended 31 March 2016, the Group has reorganised its internal reporting structure by simplifying the segmental classification based on revenue contribution from its product and service lines so as to enhance operational efficiency. Accordingly, the comparative segment information has been re-presented to conform to current year's presentation. The Group's reportable and operating segments for financial reporting purposes have been reorganised as follows:

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

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

Others – Distribution of fine wines, distribution of audio equipment, distribution of menswear apparels and accessories and distribution of cigars and smoker's accessories.

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

	2016			
	Automobiles	Branded watches and jewelleries	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**2,178,862**	**127,197**	**70,845**	**2,376,904**
Other income and net gains	**64,430**	**12,746**	**14,095**	**91,271**
Reportable segment revenue	**2,243,292**	**139,943**	**84,940**	**2,468,175**
Reportable segment results	**53,185**	**(22,282)**	**(14,023)**	**16,880**
Amortisation of other intangible asset	**–**	**(78)**	**–**	**(78)**
Depreciation of property, plant and equipment	**(24,289)**	**(421)**	**(1,035)**	**(25,745)**
Write-down of inventories	**(2,963)**	**–**	**–**	**(2,963)**
Operating lease payments in respect of rented premises	**(45,334)**	**(38,784)**	**(30,186)**	**(114,304)**
Sub-lease income	**–**	**10,871**	**10,445**	**21,316**
Reportable segment assets	**1,155,480**	**384,823**	**181,934**	**1,722,237**
Deposits, prepayments and other receivables				**3,846**
Corporate assets:				
– financial assets				**5,484**
– non-financial assets				**3,939**
Consolidated total assets				**1,735,506**
Additions to non-current segment assets during the year	**3,425**	**235**	**127**	**3,787**
Reportable segment liabilities	**105,044**	**23,912**	**27,658**	**156,614**
Borrowings				**488,740**
Corporate liabilities:				
– financial liabilities				**1,932**
– non-financial liabilities				**4,494**
Consolidated total liabilities				**651,780**

	2015			
	Automobiles	Branded watches and jewelleries	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(Re-presented)	(Re-presented)	
Revenue from external customers	2,445,514	119,819	40,368	2,605,701
Other income and net gains	137,535	19,978	15,281	172,794
Reportable segment revenue	2,583,049	139,797	55,649	2,778,495
Reportable segment results	(293,625)	(71,700)	(37,107)	(402,432)
Amortisation of other intangible assets	–	(2,766)	–	(2,766)
Depreciation of property, plant and equipment	(24,899)	(12,385)	(7,102)	(44,386)
Fair value gains 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	–	(27,762)	(16,005)	(43,767)
Impairment loss on other intangible asset	–	(19,821)	–	(19,821)
Income from training services	51,300	–	–	51,300
Operating lease payments in respect of rented premises	(44,199)	(41,718)	(23,142)	(109,059)
Sub-lease income	–	13,310	12,788	26,098
Reportable segment assets	1,846,989	376,488	143,627	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	3,140	2,250	33,217
Reportable segment liabilities	97,016	10,023	16,552	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

Unallocated corporate income and expenses mainly comprised income from advertising, exhibitions and other services, consultancy and referral 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 reportable segment results and the Group's loss before income tax is as follows:

	2016	2015
	HK$'000	*HK$'000*
Reportable segment results	**16,880**	(402,432)
Bank interest income	**1,869**	1,637
Unallocated corporate income	**28,871**	34,220
Net realised and unrealised gains/(losses) on derivative financial instruments	**368**	(9,622)
Unallocated corporate expenses	**(31,855)**	(33,873)
Finance costs	**(49,326)**	(48,233)
Loss before income tax	**(33,193)**	(458,303)

The Group's revenue from external customers are divided into the following geographical areas:

	2016	2015
	HK$'000	*HK$'000*
Mainland China and Hong Kong (domicile)	**2,255,102**	2,497,543
Malaysia	**121,802**	108,158
	2,376,904	2,605,701

The geographical location of customers is based on the location where the services were provided or the goods were delivered. The geographical location of goodwill and other intangible asset is based on the entities' area of operation while that of other non-current assets is based on the physical location of the assets. Substantial portion of the Group's non-current assets are located in Mainland China and Hong Kong at the end of the reporting period.

Management determines that the Group is domiciled in Mainland China and Hong Kong, which are the Group's principal operating locations.

4. Revenue

The Group's principal activities are sale of automobiles, branded watches and jewelleries and other merchandised goods and provision of automobile related after-sale services.

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

	2016	2015
	HK$'000	*HK$'000*
		(Re-presented)
Sale of automobiles	**2,041,611**	2,308,608
Sale of branded watches and jewelleries	**127,197**	119,819
Sale of other merchandised goods	**70,845**	40,368
Income from provision of after-sale services	**137,251**	136,906
	2,376,904	2,605,701

5. Other income and net gains

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**1,869**	1,637
Bonus from suppliers	**26,378**	50,402
Net realised gains on derivative financial instruments	**368**	–
Fair value gains on financial assets at fair value through profit or loss	**–**	5
Gain on disposals of property, plant and equipment	**2,679**	700
Income from advertising, exhibitions and other services	**14,481**	10,241
Income from insurance brokerage	**31,468**	35,657
Income from training services*	**–**	51,300
Sub-lease income	**21,316**	26,098
Consultancy and referral fee income^	**19,512**	27,000
Management fee income	**1,808**	2,488
Others	**2,500**	3,123
	122,379	208,651

* *Income from training services represented income from provision of training of initiating knowledge and skill of distributorship of branded automobiles for the year ended 31 March 2015. There were no such training activities conducted in the current financial year.*

^ *The amount for the current year represented income from provision of consultancy and referral services in relation to an overseas distribution right of a motion picture. The amount for the year ended 31 March 2015 represented income from provision of consultancy service in relation to an investment project referred by the Group.*

6. Operating profit/(loss)

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

	2016	2015
	HK$'000	*HK$'000*
Amortisation of other intangible asset[#]	**78**	2,766
Auditor's remuneration	**1,550**	1,600
Cost of inventories recognised as expense, including	**2,187,801**	2,417,274
– Write-down of inventories	**2,963**	–
Depreciation of property, plant and equipment[##]	**26,560**	44,556
Exchange differences, net	**945**	(940)
Net realised and unrealised (gains)/losses on derivative financial instruments[###]	**(368)**	9,622
Gain on disposals of property, plant and equipment	**(2,679)**	(700)
Operating lease payments in respect of rented premises	**127,374**	122,498
Employee benefit expense	**44,128**	51,321

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

\## *Depreciation of approximately HK$22,560,000 and HK$4,000,000 (2015: HK$36,484,000 and HK$8,072,000) have been included in selling and distribution costs and administrative expenses respectively.*

\### *The amount has been included in other income and net gains (2015: other operating expenses).*

7. Finance costs

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans and overdraft	**31,309**	33,261
Interest on other loans	**18,017**	14,972
	49,326	48,233

8. Income tax expense

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 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% (2015: 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.

	2016	2015
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
Charge for the year	**50**	87
– Other jurisdictions		
Charge for the year	**398**	288
Under-provision in prior year	**49**	137
Total current tax	**497**	512
Deferred tax	**(10)**	(193)
Total income tax expense	**487**	319

9. Dividends

No dividend was paid, declared or proposed by the Group in respect of the years ended 31 March 2015 and 2016.

10. Losses per share

Basic losses per share is calculated by dividing the loss attributable to owners of the Company of approximately HK$32,328,000 (2015: HK$455,685,000) by the weighted average of 2,979,828,850 (2015: 2,979,828,850) ordinary shares in issue during the year ended 31 March 2016.

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

11. Goodwill

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

	2016	2015
	HK$'000	*HK$'000*
Gross carrying amount	**580,679**	580,679
Accumulated impairment	**(374,508)**	(374,508)
Net carrying amount	**206,171**	206,171

The carrying amount of goodwill, net of any allowance for impairment, is allocated to the Automobiles CGU.

The Group had originally anticipated that there would be significant growth in the revenue and profitability of the Automobiles CGU as at the date of acquisition. As a result of the slowdown of the retail business of the luxury products in the PRC and the anti-extravagance policies from the government of Mainland China, the demand for the Group's luxury products was adversely impacted and the prospect of the business was significantly challenged. These led to the growth rates of revenue and profitability of Automobiles CGU being significantly lower than expected during the year ended 31 March 2015.

In view of the above, the Group revised its cash flow forecasts of this CGU for the year ended 31 March 2015. Based on the expected future market conditions and management's latest business plan, an impairment of goodwill of HK$374,508,000 was recognised during the year ended 31 March 2015.

During the year ended 31 March 2016, the growth rates of revenue and profitability of the Automobiles CGU had been consistent with the Group's expectation made in prior year. The directors of the Company are of the opinion that, based on the value-in-use calculation, goodwill and property, plant and equipment associated with the Automobiles CGU were not further impaired during the year ended 31 March 2016.

The recoverable amount for the Automobiles CGU, which amounts to approximately HK$412,000,000 (2015: HK$348,000,000) as at 31 March 2016, was determined based on the value-in-use calculation using pre-tax cash flow projections from formally approved budgets, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at zero percent growth, which do not exceed the long-term growth rate for the business in which the Automobiles CGU operates. The growth rate reflects the long-term estimated average growth rates for the product lines of the CGU.

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

	2016	2015
Growth rate after five-year period	**0%**	0%
Discount rate	**14.73%**	11.98%

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

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

12. 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:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**1,736**	136
31 – 120 days	**1,077**	–
Over 120 days	**5,714**	–
	8,527	136

13. Trade payables

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

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**14,865**	3,970
31 – 60 days	**952**	2,890
61 – 90 days	**2,206**	6,885
Over 90 days	**9,421**	10,320
	27,444	24,065

CHAIRMAN'S STATEMENT

Due to the collapse in commodity prices and slow global trade, the 2015 global economy experienced deflationary pressure. According to the National Bureau of Statistics, China's economy grew 6.9% in 2015, the weakest in a quarter century, and the quarterly level undershot market expectations, posting its lowest reading since the financial crisis and signalling weakening economic momentum. In mid-April 2016, the International Monetary Fund raised its forecast for China's growth in 2016 to 6.5 percent, which increased by 0.2 percentage from its January predictions.

During this financial year, the Group's revenue decreased by 8.8%, reaching HK$2.377 billion, compared with HK$2.606 billion in the previous financial year. Gross profit for the financial year increased by 0.4%, reaching HK$189.1 million, compared with HK$188.4 million in the previous financial year. The automobile business was a major income driver, accounting for approximately 91.7% of our business. Net loss attributable to owners of the Company of HK$32.3 million was recorded in this financial year compared with a net loss of HK$455.7 million in the last financial year.

In view of the economic slowdown during the financial year under review, the Board estimated to record a loss and had issued a profit warning statement on 21 April 2016.

China's Luxury Goods & Automobiles Markets

There are quite a few ongoing updates and research reports from reputable authorities, investment banks and global research houses mentioning the slowdown of the China luxury goods market. According to the "2015 China Luxury Market Study" issued by Bain & Company on 20 January 2016, China's luxury market dipped 2 percent to RMB113 billion in 2015, driven by a decline in watches, men's wear and leather goods. Bain's research, with a survey of nearly 1,500 Chinese consumers, found a sizable shift in shopper's geographic preferences for luxury shopping in 2015. The report reveals overseas luxury purchases grew 10 percent with consumers flocking to Japan, where their spending increased more than 200 percent. South Korea, Europe and Australia were also popular shopping destinations due to favourable exchange rates and competitive pricing on luxury goods in these markets. However, luxury spending of mainland Chinese in Hong Kong and Macau dropped by one-quarter. Furthermore, overseas travels among Chinese shoppers increased by an estimate of 32 percent from 2014. Daigou, the growing channel choice in 2014 decreased to approximately RMB43 billion market last year. Bain attributes the drop to several factors including price adjustments by key brands that reduced Daigou margins, government efforts to tighten control over imports, including Daigou, a weakened RMB, and an increase in reliance on other purchase channels notably cross-border and overseas websites, which accounted for RMB48 billion of RMB293 billion luxury overseas spending.

According to a report released on 21 March 2016 by the World Travel & Tourism Council ("WTTC"), a London-based nonprofit organization that researches the global effect of Tourism, reported that mainland Chinese spent US$215 billion when travelling abroad in 2015, representing an increase by 53 percent as compared with the same in 2014, despite a slowing economy and stock market turmoil. The number of Chinese tourists travelling overseas has increased by 200% to 120 million people over the last five years, according to data from the China National Tourist Office and WTTC. That means that one in ten international travellers now comes from China.

Despite the slowdown of the China luxury goods market, China remains the world's number one auto market in 2015, selling 24.6 million units compared to 17.2 million vehicles sold in the US. According to the data reported by the China Automobile Association on 12 January 2016, sales rose a respectable 4.7%, beating analyst expectations of a 3% spike this year amidst a record slowdown in growth and sentiment in the Chinese economy. The growth marked the slowest pace in three years, following the 6.9 percent rise in 2014 and 13.9 percent gain in 2013.

Mr. Yale Zhang, Managing Director of Automotive Foresight (Shanghai), a market and industry consultancy firm, commented that the top luxury automakers in China began performing poorly in 2015 according to an article named "Luxury Auto Market Feels the Sting of China's slowdown" dated 2 February 2016 on ChinaDaily.com.cn. Yale also stated there were sales drops for the top luxury vehicles in China adding that officials and the wealthy were not willing to flaunt their wealth. Additionally, the premium auto market in China, on the other hand, is healthy and will continue to grow by double digits, although it, too, is under pressure by the country's economic slowdown. Based on the figures revealed by LMC Automotive Consulting (Shanghai), the leading provider of automotive production, sales and powertrain forecasts and automotive industry market intelligence, China sold 1,921,050 premium cars throughout the year of 2015 and sold 1,786,902 units over the same period of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Automobile Dealerships

During the year, revenue of the ultra-luxury automobile distributorships of Bentley, Lamborghini and Rolls-Royce recorded a decrease of approximately 11.6% to HK$2.042 billion, compared with HK$2.309 billion in the previous financial year. Of our 3 brands, Bentley and Rolls-Royce recorded sales drop while Lamborghini recorded sales growth. Lamborghini had performed the best among the Group's other brands with total sales of HK$182.7 million, representing a 45.7% increase in sales compared with HK$125.4 million during the previous financial year. A total of 40 units of Lamborghini were sold, representing an increase of 73.9% compared with 23 units sold in the last financial year.

According to the articles titled "Automobili Lamborghini Makes 2015 the Best Year in Company History" under Volkswagen official website issued on 3 March 2016, global sales of Lamborghini super sports cars increased by 28.3% from 2,530 units to 3,245 units during the fiscal year 2015. The growth represents not only an increase in volume compared to the previous year but a considerable gain. Five new models were introduced in 2015 alone. The brand's President and CEO, Stephen Winkelmann, has a very positive outlook for 2016 due to a decision to produce new third model series to bring with it doubling the production space and creation of new jobs by 2018.

Bentley recorded a decline in sales during this financial year with a total of HK$1,125.5 million, representing a significant 14.8% drop compared with that of HK$1,321.2 million recorded in the previous financial year. A total of 322 units of Bentley were sold, representing a drop of 10.1% compared with 358 in the last corresponding financial year.

Rolls-Royce recorded a 14.9% drop in sales to HK$733.4 million during this financial year, compared with HK$862.1 million in the last financial year. At the same time, a total of 126 units of Rolls-Royce were sold, representing a decrease of 7.4% compared with 136 units sold in the last financial year.

Gross profit margins of Bentley and Lamborghini improved but that of Rolls-Royce recorded a decline, while the Group continued enjoying bonus from the brands.

Revenue of after-sales services remained about the same recording an increase of 0.3% during this financial year as compared with the previous financial year. Regarding the gross profit margin, we noted an increase from 40.1% to 46.6% in this financial year. The increase in gross profit margin was due to a substantial reduction of one-off gifts to our customers in this financial year.

Watch Dealerships & Jewellery Distributorships

During the year, the sales performance of our super deluxe branded watch division performed satisfactorily with an increase in revenue of 26.9% to HK$113.1 million as compared with HK$89.1 million in the last financial year.

Sales of top-tier branded jewellery division decreased by 54.1% in terms of both quantity and sales amount and recorded sales revenue of HK$14.1 million as compared with HK$30.7 million in the last financial year.

194 pieces of watches were sold in this financial year compared with 246 pieces in the last financial year. Brands included Richard Mille, Parmigiani, DeWitt, DelaCour and Buben & Zorweg.

419 pieces of jewellery were sold during this financial year compared with 514 pieces in the last financial year. Brands included Boucheron and Royal Asscher.

Gross profit margin of watch division decline during the current financial year from 28.4% in the last financial year to 18.8% in the current financial year while gross profit margin of jewellery division increased from 32.4% in the last financial year to 43.1% in the current financial year.

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

Others

During the current financial year, the sales performance of this division performed satisfactorily with revenue recorded an 75.7% increase to HK$70.8 million, as compared with HK$40.3 million in the last financial year.

The brands under this division include fine wine, audio equipment, menswear apparel and accessories and cigars and smoker's accessories, B&O performed the best in terms of revenue contribution, particularly attributable to e-commerce sales of B&O PLAY.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 March 2016 was approximately HK$2,376.9 million, representing a decrease of approximately 8.8% as compared with approximately HK$2,605.7 million recorded in the last year. The decrease was due to the PRC government's continuing anti-extravagance policies and weak economic momentum which adversely impact the demand for the Group's luxury products. The table below sets out the Group's revenue for the year indicated:

	FY2016		**FY2015**		**Changes**	
		Contribution		*Contribution*		
Revenue Source	*HK$'000*	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*%*
Sales of automobiles	2,041,611	85.9%	2,308,608	88.6%	-266,997	-11.6%
Income from provision of after-sales services	137,251	5.8%	136,906	5.3%	345	0.3%
Sub-total	2,178,862	91.7%	2,445,514	93.9%	-266,652	-10.9%
Sales of branded watches and jewelleries	127,197	5.3%	119,819	4.6%	7,378	6.2%
Others	70,845	3.0%	40,368	1.5%	30,477	75.5%
TOTAL	2,376,904	100%	2,605,701	100%	-228,797	-8.8%

Gross Profit and Gross Profit Margin

The gross profit of the Group for the year ended 31 March 2016 slightly increased by 0.4% to approximately HK$189.1 million (2015: HK$188.4 million). The increase was mainly due to the increase in the gross profit from provision of automobile after-sales services, sales of audio equipments and menswear apparel by approximately 16.5%, 119% and 11 times respectively, but offset by the decrease in gross profit from sales of automobile, watches and jewelleries. The menswear apparel business was commenced since January 2015 and fully operated during this financial year.

The gross profit margin of the Group for the year ended 31 March 2016 increased from 7.2% in the last financial year to 8.0%. Such increase was mainly due to the increase in gross profit margin on provision of after-sales services and the surging contribution from audio equipments and menswear apparel business.

Other Income

Other income was HK$122.4 million for the year ended 31 March 2016, a 41.4% decrease from HK$208.7 million in the last financial year. The decrease was mainly due to the fact that the Group did not provide any training services or generate any income from training services in respect of initiating knowledge and skill of distributorship of branded automobiles during the financial year and that the bonus from suppliers for marketing purpose decreased by approximately 47.7%.

Operating Expenses

The selling and distribution costs and administrative expenses decreased by 17.8% and 18.1% respectively. The decreases were mainly due to the decrease in marketing and promotions and depreciation. The depreciation decreased significantly because impairment losses on leasehold improvement for watch, jewellery and fine wine segments were recognised in the last financial year.

Finance Cost

Finance cost slightly increased by 2.3% from HK$48.2 million to HK$49.3 million. The increase was mainly due to the increase in average balance of borrowings but offset by the reduction of interest rates by the People's Bank of China during the financial year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2016 were approximately HK$1,735.5 million (2015: HK$2,410.5 million) which were mainly financed by the owners' equity and total liabilities of approximately HK$1,056.2 million (2015: HK$1,112.6 million) and HK$651.7 million (2015: HK$1,280.2 million) respectively.

Cash Flow

The Group's bank balances and cash as of 31 March 2016 were approximately HK$157.2 million (2015: HK$63.4 million) which were mainly denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB").

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

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

Borrowings

The Group's borrowings as at 31 March 2016 were approximately HK$488.7 million, representing a decrease of 57.3% from approximately HK$1,145.4 million as at 31 March 2015. The decrease was mainly due to substantial repayment of borrowings during the year.

Gearing Ratio

The Group's gearing ratio computed as total borrowings over the total equity decreased to 45.1% as at 31 March 2016 (2015: 101.3%).

Inventories

As at 31 March 2016, the Group's inventories decreased by 33.3% from approximately HK$1,499.6 million as at 31 March 2015 to HK$1,000.2 million, primarily due to the decrease in automobile inventories which comprised approximately 59% of the inventories of the Group.

The Group's average inventory turnover days increased from 184 days in the year ended 31 March 2015 to 209 days in the year ended 31 March 2016, primarily due to decrease in cost of sales resulting from the challenging retail condition.

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

Exposure To Foreign Exchange Risk

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

The Group did not enter into any foreign currency forward contract for this financial year under review. At 31 March 2016, the Group did not have any unrealised loss in respect of the foreign currency forward contracts (31 March 2015: HK$3.9 million).

Contingent Liabilities And Capital Commitment

The Group did not have any significant capital commitment as at 31 March 2016 (2015: nil) in respect of acquisition of property, plant and equipment. The board of Directors of the Company considered that the Group had no material contingent liabilities as at 31 March 2016 (2015: nil).

Charges On Assets

As at 31 March 2016, pledged deposits and inventories of the Group with aggregate carrying amounts of approximately HK$55.7 million (2015: HK$230.5 million) and approximately HK$424.6 million (2015: HK$793.9 million) respectively were pledged to secure general banking facilities and other facilities granted to the Group.

Human Resources

As at 31 March 2016, the Group had 485 (2015: 477) employees. Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$44.1 million for the year (2015: HK$51.3 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

China's luxury car sales suffered slowdown in 2015 despite the fact that it is still the world's biggest auto market. Nevertheless, one of our automobile brands, Bentley has high expectation for its sales total in 2016, especially with the Bentayga, its newly released SUV. The brand's spokeswoman told China Daily on 20 January 2016 that pre-orders of Bentayga have exceeded the quota for the Chinese market according to an article titled "Luxury Auto Market Feels the Sting of China's Slowdown" issued by Chinadaily.com.cn on 2 February 2016.

As mentioned in our last interim report of 2015, the Group intended to analyze and plan a large scale e-commerce business. An announcement was issued further on 8 December 2015 stating that the Group has decided to commence its investment in establishing an e-commerce platform, namely "Sparkle Roll Online", to capture the e-commerce market. It is intended that such e-commerce platform will be accessible through internet and mobile apps. To leverage the experience of the Group as the leading distributor and dealers of top-tier luxury goods, there will be different categories of online channels for ultra-luxury cars, super deluxe branded watches, top-tier branded jewelleries, fine wines, niche luxury goods, high-end tours, investment and finance, dream mansion, celebrity club and the wonderland respectively. Although "Sparkle Roll Online" belongs to an e-commerce platform with channels, the Group will comprehensively rely on the existing physical stores of Sparkle Roll Group and the physical stores of online cooperative luxury brand flagship stores and top products flagship stores due to the high value characteristics of online products in order to fully satisfy the offline experience expectations of luxury brands and clients, complete the final delivery and service process of products and achieve the combination of traditional high-end consumption experience and fashionable online browsing transactions, a combination of Internet+O2O and traditional luxury business. The Group targets to launch the online project in or about the end of the second quarter of 2016 and tentatively expects that to be launched in five stages and to be fully operated by the end of 2017. We plan to invest approximately RMB30 million in staff and set-up costs in the upcoming financial year up to 31 March 2017 which will be financed by internal resources.

Looking ahead, given the present challenges, we are confident and still committed to maintain our leading roles in the luxury goods market in the PRC. Meanwhile, the Group continues to target destocking of our non-auto inventory and we will adopt a prudent and, to a certain extent, innovative approach to maintain a healthy level of inventory.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: nil), while no interim dividend (2015: nil) had been distributed during the year.

CORPORATE GOVERNANCE

The Group is committed to maintain a high standard of corporate governance practices and procedures that are consistent with the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules. The Board agrees that corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure that all practices will be complied with legal and statutory requirements. Throughout the financial year ended 31 March 2016, the Group has complied with the code provisions as set out in the CG Code.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 4:30 p.m. on 8 September 2016 (Thursday) 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 2016 (Wednesday) to 8 September 2016 (Thursday) (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 6 September 2016 (Tuesday).

REVIEW OF FINANCIAL STATEMENTS

The audit committee has reviewed the consolidated financial statements and annual results announcement of the Company for the year ended 31 March 2016 and is of the opinion that the preparation of such results is complied with applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED ON THIS PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2016 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

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

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

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

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

The annual report of the Company for the year ended 31 March 2016 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, 23 June 2016

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