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Sparkle Roll Group Limited
耀萊集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 970)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2014

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 2014, together with the comparative figures for the last corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	**2014** ***HK$'000***	2013 *HK$'000*
Revenue	*4*	**3,161,848**	3,015,555
Cost of sales		**(2,999,582)**	(2,730,681)
Gross profit		**162,266**	284,874
Other income	*5*	**230,545**	131,958
Selling and distribution costs		**(257,646)**	(239,868)
Administrative expenses		**(81,106)**	(72,957)
Other operating expenses		**–**	(3,369)
Operating profit	*6*	**54,059**	100,638
Finance costs	*7*	**(35,933)**	(30,826)
Profit before income tax		**18,126**	69,812
Income tax expense	*8*	**(852)**	(3,845)
Profit for the year		**17,274**	65,967

* *for identification purpose only*

	Notes	**2014** **HK$'000**	2013 HK$'000
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss:			
Release of exchange reserve upon disposal of a subsidiary		**–**	34
Exchange gains on translation of financial statements of foreign operations		**17,891**	3,069
Total comprehensive income for the year		**35,165**	69,070
Profit/(loss) for the year attributable to:			
Owners of the Company		**18,951**	66,304
Non-controlling interests		**(1,677)**	(337)
		17,274	65,967
Total comprehensive income attributable to:			
Owners of the Company		**36,249**	69,419
Non-controlling interests		**(1,084)**	(349)
		35,165	69,070
Earnings per share attributable to the owners of the Company during the year	*10*		
Basic earnings per share		**HK0.6 cent**	HK2.2 cents
Diluted earnings per share		**HK0.6 cent**	HK2.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	**2014**	2013
		HK$'000	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**209,813**	174,272
Goodwill	*11*	**580,679**	580,679
Other intangible assets		**23,215**	843
Rental deposits paid to a related party		**18,181**	13,672
Financial assets at fair value through profit or loss		**–**	524
		831,888	769,990
Current assets			
Inventories		**942,075**	861,356
Trade receivables	*12*	**5,054**	57,259
Deposits, prepayments and other receivables		**207,683**	300,761
Amount due from a related party		**18,325**	14,183
Financial assets at fair value through profit or loss		**549**	–
Pledged deposits		**87,803**	95,854
Cash at banks and in hand		**340,235**	273,893
		1,601,724	1,603,306
Current liabilities			
Trade payables	*13*	**28,338**	14,551
Receipts in advance, accrued charges and other payables		**127,863**	119,015
Derivative financial instruments		**–**	161
Provision for taxation		**4,887**	3,918
Borrowings		**679,496**	547,849
		840,584	685,494
Net current assets		**761,140**	917,812
Total assets less current liabilities		**1,593,028**	1,687,802

	2014	2013
	HK$'000	*HK$'000*
Non-current liabilities		
Other payables	**340**	538
Borrowings	**–**	40,000
Deferred tax liabilities	**1,239**	1,730
	1,579	42,268
Net assets	**1,591,449**	1,645,534
EQUITY		
Share capital	**5,959**	5,959
Reserves	**1,567,612**	1,599,542
Equity attributable to the owners of the Company	**1,573,571**	1,605,501
Non-controlling interests	**17,878**	40,033
Total equity	**1,591,449**	1,645,534

NOTES

1. Basis of preparation

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

2. Adoption of new or amended HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 April 2013

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 2013:

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements

Other than as noted below, the adoption of these amendments has no material impact on the Group's financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 March 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

(b) New/revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash-generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period.

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

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

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

This standard is effective for accounting periods beginning on or after 1 January 2014. The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that 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.

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

3. Segment information

The executive directors have identified the following reportable operating segments:

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

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

Branded jewelleries – Distribute branded jewelleries, namely Boucheron, and Royal Asscher;

Fine wines – Distribute certain brands of fine wines; and

Audio equipment – Distribute audio equipment.

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.

	2014					
	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$'000*	**Total** *HK$'000*
Revenue from external customers	**2,968,028**	**120,285**	**44,104**	**7,710**	**21,721**	**3,161,848**
Other income	**177,197**	**19,903**	**6,349**	**14,451**	**–**	**217,900**
Reportable segment revenue	**3,145,225**	**140,188**	**50,453**	**22,161**	**21,721**	**3,379,748**
Reportable segment results	**99,672**	**(1,370)**	**(6,599)**	**(15,179)**	**(3,798)**	**72,726**

	2014					
	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$'000*	**Total** *HK$'000*
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**
Corporate liabilities:						
– financial liabilities						**680,941**
– non-financial liabilities						**6,126**
Consolidated total liabilities						**842,163**

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

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

	2014	2013
	HK$'000	*HK$'000*
Reportable segment results	**72,726**	122,377
Bank interest income	**1,410**	1,287
Gain on disposal of a subsidiary	**–**	912
Unallocated corporate income	**11,074**	10,842
Fair value gains/(losses) on derivative financial instruments	**161**	(3,369)
Unallocated corporate expenses	**(31,312)**	(31,411)
Finance costs	**(35,933)**	(30,826)
Profit before income tax	**18,126**	69,812

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**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China and Hong Kong (domicile)	**3,023,783**	2,871,492	**790,664**	755,730
Malaysia	**138,065**	144,063	**23,043**	64
	3,161,848	3,015,555	**813,707**	755,794

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

4. Revenue

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

	2014	2013
	HK$'000	*HK$'000*
Sale of automobiles	**2,849,038**	2,645,699
Sale of branded watches	**120,285**	125,329
Sale of branded jewelleries	**44,104**	34,613
Sale of fine wines	**7,710**	114,864
Sale of audio equipment	**21,721**	–
Income from provision of after-sale services	**118,990**	95,050
Total revenue	**3,161,848**	3,015,555

5. Other income

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**1,410**	1,287
Bonus from suppliers	**97,920**	43,859
Fair value gains on derivative financial instruments	**161**	–
Fair value gains on financial assets at fair value through profit or loss	**25**	118
Gain on disposals of financial assets at fair value through profit or loss	**–**	13,823
Gain on disposals of property, plant and equipment	**523**	1,113
Gain on disposal of a subsidiary	**–**	912
Imputed interest revenue on trade and other receivables	**2,429**	4,140
Income from exhibitions and other services income	**13,938**	13,213
Income from insurance brokerage	**33,069**	22,215
Income from training services*	**47,200**	–
Sub-lease income	**24,546**	25,099
Others	**9,324**	6,179
Total other income	**230,545**	131,958

* *Income from training services of approximately HK$47,200,000 represented income from provision of training of initiating knowledge and skill of distributorship of branded automobiles.*

6. Operating profit

	2014	2013
	HK$'000	*HK$'000*
Operating profit is arrived at after charging/(crediting):		
Amortisation of other intangible assets[#]	**3,190**	1,537
Auditor's remuneration	**1,600**	1,500
Cost of inventories recognised as expense	**2,999,582**	2,730,681
Depreciation of property, plant and equipment[##]	**40,358**	36,776
Exchange differences, net	**892**	924
Fair value losses/(gains) on derivative financial instruments[###]	**(161)**	3,369
Gain on disposals of property, plant and equipment	**(523)**	(1,113)
Operating lease payments in respect of rented premises	**111,810**	120,492
Written off of property, plant and equipment	**–**	3,590
Defined contribution retirement benefits scheme contributions for employees	**10,269**	7,052
Staff costs, including directors' emoluments	**41,547**	37,667
Total staff costs	**51,816**	44,719

[#] *Amortisation of other intangible assets of approximately HK$3,190,000 (2013: HK$1,537,000) has been included in administrative expenses.*

[##] *Depreciation of approximately HK$32,480,000 and HK$7,878,000 (2013: HK$28,107,000 and HK$8,669,000) have been included in selling and distribution costs and administrative expenses respectively.*

[###] *The amount has been included in other income (2013: other operating expenses).*

7. Finance costs

	2014	2013
	HK$'000	*HK$'000*
Interest expenses on financial liabilities stated at amortised costs:		
– borrowings wholly repayable within five years	**35,933**	30,826

8. Income tax expense

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on profits derived outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

Income tax of certain subsidiaries of the Company in Mainland China was charged at 25% on deemed profits calculated at 7% to 10% on revenue in accordance with relevant tax regulations in Mainland China during the year ended 31 March 2013.

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.

	2014	2013
	HK$'000	*HK$'000*
Current tax		
Hong Kong:		
Current year	**412**	426
Under-provision in prior year	**–**	136
	412	562
Other jurisdictions:		
Current year	**931**	3,706
	1,343	4,268
Deferred tax		
Current year	**(491)**	(423)
Total income tax expense	**852**	3,845

9. Dividends

(a) Dividends attributable to the year

	2014	2013
	HK$'000	*HK$'000*
Interim dividends: Nil (2013: HK0.2 cent per share)	**–**	5,960

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

	2014	2013
	HK$'000	*HK$'000*
Final dividends: Nil (2013: HK0.3 cent per share)	**–**	8,939

No final dividend was proposed in respect of the year ended 31 March 2014. A final dividend of approximately HK$8,939,000 represented dividend payable by the Company to its owners for the year ended 31 March 2012 which had been paid during the year ended 31 March 2013.

10. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company of approximately HK$18,951,000 (2013: HK$66,304,000) by the weighted average of 2,979,828,850 (2013: 2,979,828,850) ordinary shares in issue during the year ended 31 March 2014.

(b) Diluted

Diluted earnings per share for the years ended 31 March 2014 and 2013 are the same as basic earnings per share as the potential ordinary shares have no dilutive effect on earnings per share.

11. Goodwill

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

	2014	2013
	HK$'000	*HK$'000*
Gross carrying amount	**580,679**	580,679
Accumulated impairment	**–**	–
Net carrying amount	**580,679**	580,679

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

The recoverable amounts for the CGU of the business of automobiles and related parts and accessories and provision of after-sale services as at 31 March 2013 and 2014 were determined based on value-in-use calculations based on cash flow projections from formally approved budgets, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at zero percent growth, which do not exceed the long-term growth rate for the business in which CGU operates. The growth rates reflect the long-term estimated average growth rates for the product lines of the CGU.

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

	2014	2013
Growth rates after five-year period	**0%**	0%
Discount rates	**13.8%**	15%

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

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

12. Trade receivables

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

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**2,835**	7,072
31 – 60 days	**181**	–
61 – 90 days	**347**	–
Over 90 days	**1,691**	50,187
	5,054	57,259

It is the Group's credit policy that sales to retail customers are mainly on receipts in advance from customers or cash on delivery while sales to wholesale customers are mainly on a credit basis up to 18 months (2013: up to 18 months).

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:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**11,345**	9,079
31 – 60 days	**4,993**	2,793
61 – 90 days	**1,172**	572
Over 90 days	**10,828**	2,107
	28,338	14,551

CHAIRMAN'S STATEMENT

2013 was a year full of challenges, even though the situation in the US improved gradually while the economies in the Eurozone were stabilized. GDP growth in the Mainland was 7.7%, same as 2012, It is the fourth consecutive year GDP growth has not seen an increase, and it was down from a 10.4% growth in 2010.

Although there was an improvement in sales of automobiles in the second half of this financial year, our board of directors expected a drop in profit after tax and decided to issue a profit warning on 27 March 2014. Based on the announcement, the Board informed shareholders of the Company and potential investors that the Group was expected to record a net profit for the financial year ending 31 March 2014 but would still be substantially less than the net profit for the financial year ended 31 March 2013. The expected substantial decrease in net profit was mainly due to the significant decrease in gross profit margin of the Group's automobile dealerships business in the PRC, resulting from keen competition due to an increase in the number of dealers established in cities near Beijing and Tianjin. Additionally, a significant decrease in gross profit margin of the jewellery business and a substantial drop in sales of top fine wines of the Group were the reasons behind the expected substantial drop in net profit.

During this financial year, the Group's revenue increased by 5%, reaching HK$3.162 billion, compared with HK$3.016 billion in the previous financial year. Gross profit for the financial year decreased by 43%, reaching HK$162.3 million, compared with HK$284.9 million in the previous financial year. Net profit for this financial year decreased by 74% to HK$17.3 million compared with HK$66.0 million in the previous financial year. The drop in gross profit was mainly due to the compressed profit margin of auto sales in this financial year versus the previous one. The auto business was a major income driver, accounting for approximately 94% of our business.

China's Luxury Goods & China Auto Markets

There are quite a few ongoing updates and research reports from reputable authorities, investment banks and global research houses mentioning the slowdown of the China luxury goods market. According to the "2013 China Luxury Goods Market Study" issued by Bain & Company on 17 December 2013, growth in the mainland China's luxury goods market slowed from 7% growth in 2012 to around 2% in 2013, with expectations of similarly slow growth in 2014. Chinese shoppers now do two-thirds of their luxury shopping abroad, triggering slowdowns in store traffic and store openings domestically. The cooling off of China's previously exuberant luxury market domestically was due to the highly visible government campaign encouraging frugality and focusing on a crackdown on corruption, which had a large impact on gifting. Notwithstanding this, Chinese shoppers remain the largest nationality of luxury buyers worldwide, with purchases that make up 29% of the global market, an increase of 4 percentage points from last year.

"Hurun Report Chinese Luxury Consumer Survey 2014" issued by The Hurun Research Institute on 16 January 2014 reported the overall spending by the Chinese high net worth individuals was down 15% last year. And spending on gift-giving was down a dramatic 25%, possibly due to the impact of anti-corruption initiatives and a slowdown in the economy.

In 2013, vehicle sales in China totaled 22.0 million units, marking China's fifth straight year as the world's largest auto market. According to an article named 'Super-luxury car market slows in China" issued by Xinhua dated 3 March 2014, the super-luxury car category witnessed a tough year in the once-heated Chinese market in 2013, as the country's most affluent hesitated to spend extravagantly amid slowing economic growth. Nevertheless, the potential of China, the world's second-largest economy is still highlighted by ultra-luxury markets as the European market remains sluggish and the United States still faces pressure following the gradual withdrawal of quantitative easing.

Furthermore, perhaps as early as 2016, China will overtake the US as the world's largest market for premium cars, according to an article named "Getting to know China's premium-car market" issued by McKinsey & Company in June 2013. BMW said China would probably surpass the US as its top market this year as the brand penetrated into more communities and won buyers with its 3- and 5-series sedans, according to an article titled "BMW Sales Growth Outpaces Mercedes-Audi in China Luxury Car Race" issued by Bloomberg News dated 9 August 2013.

BUSINESS REVIEW

Automobile Dealerships

During the year, revenue of the ultra-luxury automobile distributorships of Bentley, Lamborghini and Rolls-Royce recorded an approximate 8% increase to HK$2.849 billion, compared with HK$2.646 billion in the previous financial year. Of our 3 brands, Rolls-Royce and Lamborghini recorded higher sales while Bentley's sales dropped due to a launch of the new model named New Flying Spur, replacing the previous model of Continental Flying Spur, in which sales of this model were vacuum for some months.

According to the article named "Exotic car sales surge to record high – except Ferrari" dated 5 February 2014 under CNNMoney.com, Bentley Motors had a record-breaking year in sales last year. It hit five digits, selling 10,120 cars worldwide in 2013, the most ever in Bentley's 95 years in existence. Much of that sales growth has been spurred by Bentley's all-new Flying Spur sedan, a car that starts at just over US$184,000. Last year, Bentley sold as many of the new model in 4 months as it did of the previous model in an entire year, Bentley CEO Wolfgang Schreiber said.

Rolls-Royce has performed the best among the Group's brands with total sales of HK$1,271.7 million , representing a 24% increase compared with HK$1,023.9 million during the previous financial year.

Lamborghini Beijing has recorded a 2% rise in sales to HK$201.9 million during this financial year, compared with HK$197.8 million in the previous financial year.

Bentley recorded a decline in sales among our 3 brands during this financial year with a total of HK$1,375.4 million, representing a decrease of 3% compared with HK$1,424 million in the previous financial year.

Encouragingly, income from provision of after-sale services was stable and continued to increase during this financial year. Total revenue recorded a 25% increase during this financial year compared with the previous financial year. Regarding the gross profit margin, we recorded a drop from 58% to 51% during the past two financial years.

Watch Distributorships

During the year, the performance of our super deluxe branded watch division recorded a drop. Richard Mille recorded a rise of 2%, with a total of 83 watches sold compared with 81 in the previous financial year. Parmigiani, another brand under our portfolio, recorded a rise of 17%, with a total of 222 watches sold compared with 189 in the previous financial year. DeWitt recorded lower sales during this financial year compared with the previous financial year with a total of 20 watches sold. DelaCour, after switching to its basic models from Bi-Tourbillon models, performed well with a total of 6 watches sold, compared with 1 in the previous financial year.

In January 2014, the Group established a shop-in-shop of Dewitt in Chengdu hoping to extend our foothold in China's second-tier cities.

Jewellery Distributorships

We are very glad to see sales of top-tier branded jewellery increased in terms of quantity and sales amount. A total of 764 pieces were sold during this financial year, an increase of 63% compared with the previous financial year when 469 pieces of jewelry were sold.

Boucheron, the first renowned top-tier brand we acquired, performed well during this financial year with a total of 748 pieces of jewelry sold, a 69% increase compared with the previous financial year during which 442 high-end jewellery pieces were sold. The Group established a shop in Chengdu IFS in January 2014.

Royal Asscher, another high-end brand under our Group, has recorded a drop in sales during this financial year at HK$1.4 million, down 46% from HK$2.6 million in the previous financial year. During this financial year, the brand has entered the second-tier city of Chengdu and opened a shop-in-shop in January 2014. The brand plans to extend its foothold to Tianjin, Wuhan and Macau during the forthcoming financial year.

Fine Wines Dealerships

Due to the anti-extravagance campaign being run in Mainland China, the overall performance of the fine wines division substantially slowed down in this financial year. Total sales during this financial year reached HK$7.7 million, representing a drop of 93%. Sales of top fine wines, dropped from HK$107.2 million to HK$1.1 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, dropped only 13% during this financial year to HK$6.6 million compared with the last financial year.

Additionally, we are glad to report that we have already disposed of almost all of our investment in wine futures or "En Primeur 2010" during the previous financial year so that no impairment is needed.

The Group continues to develop a distribution network for "Ex-Chateaux"(逸仕賞度) in the PRC. Furthermore, we have entered into a Management Agreement with a company beneficially 95% owned by Mr. Qi Jianhong, who is a substantial shareholder of the Group, on 12 May 2014 to provide management services in the sales and marketing of Moutai Jackie Chan Liquor (茅台成龍酒) in the PRC. That company has its own distribution network of Moutai Jackie Chan Liquor (茅台成龍酒) in the PRC, and we believe this would create a synergy effect with our existing China fine wine business.

Other Distributorships

Buben & Zorweg, a top-notch Austrian manufacturer in Objects in Time, performed well during this financial year, recorded sales of 20 pieces of high-end products during this financial year.

In January 2013, the Group was appointed a non-exclusive retailer of Bang & Olufsen branded audio and visual consumer electronics products in Wuhan, Wuxi and Chongqing; a non-exclusive retailer of B&O PLAY branded audio and visual consumer electronics products in the PRC; a non-exclusive distributor of the B&O PLAY branded audio and visual consumer electronics products to third-party resellers in the PRC; and a non-exclusive retailer and/or distributor of the B&O PLAY branded audio and visual consumer electronics products through online shop(s) in the PRC. The brand had a satisfactory performance during this financial year, recording sales of 6,181 pieces of high-end products of B&O PLAY. For B&O PLAY, the Group is currently operating 32 POS and we intend to open 5 POS before the end of 2014.

RECENT DEVELOPMENT AND PROSPECT

As mentioned in our previous annual report of 2013, according to Global Auto Sources, Gasgoo.com issued on 21 May 2013, rumors of a luxury tax of 20% on luxury vehicles carrying price tags of at least 1.7 million yuan to 1.8 million yuan had been appearing across the Chinese media. According to an article named "Official pinpoints China's tax priorities" issued by Xinhua English news on 21 November 2013, China's Minister of Finance Lou Jiwei was quoted as saying reform of consumption tax will also be used to adjust the consumption of products which use a lot of energy or cause pollution, as well as some high-end consumer goods. But there was no mention which new items would be taxed. Up to the present moment, there is no such consumption or other luxury tax imposed.

We are committed to expanding the non-auto businesses to diversify our product portfolio. The Group is eyeing joint ventures of non-auto businesses with capable partners to leverage on their resources, expertise and experience. Although we still have confidence in the auto business, which is the Group's core business, our strategy is to put more effort to develop and expand the non-auto businesses so as to bring profitable returns to our shareholders in future.

In view of both of the yearly exhibitions 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 objectives are to bridge east and west so as to foster cultural exchange. We also want to be a responsible corporation

to carry out social responsibility through a series of crossover activities with charitable organizations namely "Jackie Chan Charitable Foundation Beijing" & "China Soong Ching Ling Foundation". Through those crossover charitable activities, we are hoping to contribute positively to local communities and non-profit organizations. We believe in social responsibility which is one of the pillars of a responsible corporation. That will bring long-term values to the Group and our shareholders. At the same time, the Group promotes SR Luxpo and SR Luxfo to the members of "SR Honor Club", which is a database of over 10,000 members derived from our customers in all walks of life. They will be able to interact with our exhibitors who are eager to come to China for business opportunities.

Looking ahead, the Group is still cautiously optimistic towards the luxury goods market in the PRC despite a crackdown on extravagant spending by government officials. According to a CLSA report titled "Luxury Goods Sector Outlook" dated 16 March 2014, Chinese luxury goods spending remains solid and only some categories such as watches and alcohol are affected by anti-corruption measures. In 2013, mainland Chinese luxury goods demand indicated by local and overseas spending grew by 20% in 2013, compared with a 30% rise in 2012. We will continue to adopt a prudent approach to increase our presence and expand our luxury goods market in the PRC. Based on the sales of automobiles in the recent weeks and barring unforeseen circumstances and policies, we believe that our overall luxury business should have bottomed out, though recovery is gradual.

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

FINANCIAL REVIEW

The revenue of the Group for the year ended 31 March 2014 of approximately HK$3,161.8 million represented an increase of approximately 5% compared to approximately HK$3,015.6 million recorded in the corresponding period of last year. The increase in turnover was mainly attributable to the increase of luxury automobile sales and income from after-sale services. The profit for the year was HK$17.3 million for the year ended 31 March 2014, as compared with a net profit of approximately HK$66.0 million for the last financial year. The decrease in profit for the year was mainly due to the drop in gross profit of automobile sales.

At 31 March 2014, the Group maintained a net cash position with cash at banks and in hand of approximately HK$340.2 million (2013: HK$273.9 million), short-term borrowings of approximately HK$679.5 million (2013: HK$547.8 million) and nil balance of long-term borrowings (2013: HK$40.0 million) . The Group had sufficient financial resources and will continue to finance its business development by internal resources and borrowings.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: nil), while no interim dividend (2013: HK0.2 cent per share) had been distributed during the year.

OPERATIONAL REVIEW

Automobile Dealerships

During this financial year, 329 units of Bentley automobiles (2013: 351 units), 37 units of Lamborghini automobiles (2013: 47 units) and 198 units of Rolls-Royce automobiles (2013: 153 units) were sold. Total revenue of approximately HK$2,849.0 million was generated from sales of automobiles compared to HK$2,645.7 million in last year. The gross profit margin for automobiles was 2%, a decrease of around 4% on overall basis as a result of keen competition and increase in purchase cost from manufacturers.

Moreover, after-sale services generated services income of approximately HK$119.0 million compared to HK$95.1 million in last year.

Watch Distributorships

During the year, 83 pieces of Richard Mille (2013: 81 pieces), 20 pieces of DeWitt (2013: 40 pieces), 222 pieces of Parmigiani (2013: 189 pieces) and 6 pieces of deLaCour (2013: 1) were sold.

Sales of watches generated revenue of approximately HK$120.3 million compared to HK$125.3 million in last year. Management believe that decrease of 4% in sales revenue of watches was mainly due to keen competition in Beijing, Tianjin and Shanghai and less revenues generated from our cross-selling campaign to our car owners.

Jewellery Distributorships

During the year, 748 pieces of Boucheron jewelleries (2013: 442 pieces), 16 pieces of Royal Asscher jewelleries (2013: 26 pieces) were sold. Sales of jewelleries generated revenue of approximately HK$44.1 million compared to HK$34.6 million in last year, representing an increase of 27%. Both Boucheron and Royal Asscher had opened their stores in Beijing Sparkle Roll Luxury World (China Headquarter), Beijing Sparkle Roll Luxury World (Hua Mao) and Tianjin Sparkle Roll Luxury World.

Fine Wines Distributorship

During the year, 41,978 bottles (2013: 47,553 bottles) of fine wines including 295 bottles (2013: 12,899 bottles) of top fine wine were sold.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 March 2014, the Group had 488 (2013: 428) employees. Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$51.8 million for the year (2013: HK$44.7 million). All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2014 were approximately HK$2,433.6 million (2013: HK$2,373.3 million) which were mainly financed by the owners' equity and total liabilities of approximately HK$1,573.6 million (2013: HK$1,605.5 million) and HK$842.2 million (2013: HK$727.8 million) respectively.

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

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

The Group entered into foreign currency forward contracts primarily for hedging its purchases that are mainly denominated in Euro. At 31 March 2014, the Group had no foreign currency forward contracts thus having a fair value of nil balance (2013: HK$0.2 million liabilities) as derivative financial instruments.

CAPITAL STRUCTURE

The Group's gearing ratio then computed as total borrowings over the owners' equity was approximately 43% as at 31 March 2014 (2013: 36%).

EXPOSURE TO FOREIGN EXCHANGE

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

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

CHARGES ON ASSETS

As at 31 March 2014, pledged deposits and inventories of the Group with an aggregate amount of approximately HK$87.8 million (2013: HK$95.9 million) and HK$380.6 million (2013: HK$360.5 million) respectively were pledged to secure borrowings of the Group and general facilities granted to the Group.

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

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

CORPORATE GOVERNANCE

The Group is committed to maintaining a high standard of corporate governance. The Board agrees that corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure that all practices can be met with legal and statutory requirements. Throughout the financial year ended 31 March 2014, the Group has complied with all applicable code provisions in Corporate Governance Code ("the Code") contained in Appendix 14 of the Listing Rules. The Company has been in compliance with the Code throughout the financial year.

ANNUAL GENERAL MEETING

The 2014 Annual General Meeting of the Company will be held at 4:00 p.m. on 5 September 2014 at The Hong Kong Bankers Club, 43/F, Gloucester Tower, the Landmark, Central, Hong Kong and a notice of annual general meeting will be published and dispatched in the due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 September 2014 (Thursday) to 5 September 2014 (Friday) (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 3 September 2014 (Wednesday).

REVIEW OF FINANCIAL STATEMENTS

The Group's consolidated financial statements for the year ended 31 March 2014 have been reviewed by the audit committee of the Company. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

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

The annual report for the year ended 31 March 2014 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 2014

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.