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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

INTERIM RESULTS

The board of directors (the "Board") of Sparkle Roll Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 September 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue		**1,211,351**	1,624,616
Cost of sales		**(1,109,507)**	(1,529,146)
Gross profit		**101,844**	95,470
Other income and net gains	*5*	**46,433**	113,759
Selling and distribution costs		**(107,314)**	(147,819)
Administrative expenses		**(34,253)**	(40,002)
Other operating expenses		**–**	(3,055)

* *for identification purpose only*

	Notes	Six months ended 30 September 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Operating profit	6	**6,710**	18,353
Finance costs	7	**(30,162)**	(16,387)
(Loss)/profit before income tax		**(23,452)**	1,966
Income tax expense	8	**(845)**	(101)
(Loss)/profit for the period		**(24,297)**	1,865
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		**(10,181)**	2,189
Total comprehensive income for the period		**(34,478)**	4,054
(Loss)/profit for the period attributable to:			
Owners of the Company		**(23,291)**	3,486
Non-controlling interests		**(1,006)**	(1,621)
		(24,297)	1,865
Total comprehensive income attributable to:			
Owners of the Company		**(33,038)**	5,675
Non-controlling interests		**(1,440)**	(1,621)
		(34,478)	4,054
(Loss)/earnings per share attributable to owners of the Company during the period	10		
Basic and diluted (loss)/earnings per share		**HK(0.78) cent**	HK0.12 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Notes	**30 September 2015** **HK$'000** **(Unaudited)**	31 March 2015 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**126,809**	151,227
Goodwill		**206,171**	206,171
Other intangible assets		**589**	628
Rental deposits paid to a related party	*11*	**17,554**	18,181
		351,123	376,207
Current assets			
Inventories		**1,170,781**	1,499,550
Trade receivables	*12*	**2,898**	136
Deposits, prepayments and other receivables		**333,883**	221,324
Amounts due from related parties	*11*	**18,229**	19,410
Pledged deposits		**104,536**	230,470
Cash at banks and in hand		**123,638**	63,417
		1,753,965	2,034,307
Current liabilities			
Trade payables	*15*	**27,736**	24,065
Receipts in advance, accrued charges and other payables		**114,548**	100,783
Derivative financial instruments	*14*	**–**	3,880
Provision for taxation		**4,644**	4,636
Borrowings	*16*	**860,884**	1,145,364
		1,007,812	1,278,728
Net current assets		**746,153**	755,579
Total assets less current liabilities		**1,097,276**	1,131,786

	30 September 2015 *HK$'000* (Unaudited)	31 March 2015 *HK$'000* (Audited)
Non-current liabilities		
Other payables	**372**	395
Deferred tax liabilities	**1,037**	1,046
	1,409	1,441
Net assets	**1,095,867**	1,130,345
EQUITY		
Share capital	**5,959**	5,959
Reserves	**1,073,567**	1,106,605
Equity attributable to owners of the Company	**1,079,526**	1,112,564
Non-controlling interests	**16,341**	17,781
Total equity	**1,095,867**	1,130,345

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2015

1. GENERAL INFORMATION

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

The principal activities of the Company and its subsidiaries (together the "Group") are the distributorships of luxury goods. The Group's operations are based mainly in Hong Kong, Mainland China and Malaysia.

2. BASIS OF PREPARATION

The interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 31 March 2015 (the "2015 Annual Financial Statements"), except for the adoption of the new or amended Hong Kong Financial Reporting Standards (which include individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 3 to the interim financial information.

The interim financial information is unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the 2015 Annual Financial Statements.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA which are relevant for the preparation of the interim financial information for the current accounting period:

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

The adoption of these new and revised HKFRSs did not change the Group's accounting policies as followed in the preparation of the 2015 Annual Financial Statements.

The Group has not early adopted any new and revised HKFRSs that has been issued but is not yet effective for the current accounting period.

4. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with internal reporting provided to executive directors of the Company who is 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 six months ended 30 September 2015, 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 period's presentation. The Group's reportable and operating segments for financial reporting purposes have been reorganised as follows:

(i) 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;

(ii) 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

(iii) Others – Distribution of certain brands 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.

Segment revenue and results

For the six months ended 30 September 2015

	Automobiles	Branded watches and jewelleries	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	**1,103,461**	**80,382**	**27,508**	**1,211,351**
Other income and net gains	**27,187**	**8,676**	**7,557**	**43,420**
Reportable segment revenue	**1,130,648**	**89,058**	**35,065**	**1,254,771**
Reportable segment results	**37,548**	**(6,854)**	**(11,436)**	**19,258**

For the six months ended 30 September 2014

	Automobiles	Branded watches and jewelleries	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Re-presented)	(Re-presented)	
Revenue from external customers	1,538,821	71,317	14,478	1,624,616
Other income and net gains	97,916	6,553	6,378	110,847
Reportable segment revenue	1,636,737	77,870	20,856	1,735,463
Reportable segment results	61,736	(15,366)	(11,407)	34,963

Segment assets and liabilities

As at 30 September 2015

	Automobiles *HK$'000* (Unaudited)	**Branded watches and jewelleries** *HK$'000* (Unaudited)	**Others** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
Reportable segment assets	**1,556,094**	**368,600**	**166,820**	**2,091,514**
Deposits, prepayments and other receivables				**1,305**
Corporate assets:				
– financial assets				**7,890**
– non-financial assets				**4,379**
Consolidated total assets				**2,105,088**
Reportable segment liabilities	**93,979**	**24,147**	**21,130**	**139,256**
Borrowings				**860,884**
Corporate liabilities:				
– financial liabilities				**3,400**
– non-financial liabilities				**5,681**
Consolidated total liabilities				**1,009,221**

As at 31 March 2015

	Automobiles *HK$'000* (Audited)	Branded watches and jewelleries *HK$'000* (Audited) (Re-presented)	Others *HK$'000* (Audited) (Re-presented)	Total *HK$'000* (Audited)
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
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

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

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment results	**19,258**	34,963
Bank interest income	**1,341**	553
Net realised and unrealised gains/(losses) on derivative financial instruments	**368**	(3,055)
Unallocated corporate income	**1,304**	2,359
Unallocated corporate expenses	**(15,561)**	(16,467)
Finance costs	**(30,162)**	(16,387)
(Loss)/profit before income tax	**(23,452)**	1,966

Unallocated corporate expenses mainly comprised the corporate expenses of the Group's headquarters which are not directly attributable to the business activities of any operating segment.

5. OTHER INCOME AND NET GAINS

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**1,341**	553
Bonuses from suppliers	**9,348**	24,537
Exchange gain, net	**–**	508
Net realised gains on derivative financial instruments	**368**	–
Fair value gains on financial assets at fair value through profit or loss *(note 13)*	**–**	5
Gain on disposals of property, plant and equipment	**189**	38
Income from exhibition and other services income	**3,465**	3,456
Income from insurance brokerage	**16,886**	21,168
Income from training services*	**–**	51,300
Sub-lease income	**14,016**	10,603
Others	**820**	1,591
	46,433	113,759

* *Income from training services of approximately HK$51,300,000 for the six months ended 30 September 2014 represented income from provision of training of initiating knowledge and skill of distributorship of branded automobiles.*

6. OPERATING PROFIT

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Operating profit is arrived at after charging/(crediting):		
Amortisation of other intangible assets#	**39**	1,431
Write-down of inventories##	**3,000**	–
Depreciation of property, plant and equipment*	**12,269**	22,398
Exchange differences, net	**1,192**	(508)
Net realised and unrealised (gains)/losses on derivative financial instruments^	**(368)**	3,055
Gain on disposals of property, plant and equipment	**(189)**	(38)
Operating lease payments in respect of rented premises	**69,184**	61,271
Defined contribution retirement benefits scheme contributions for employees	**4,677**	3,862
Staff costs, including directors' emoluments	**17,443**	17,171
Total staff costs	**22,120**	21,033

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

* *Depreciation of approximately HK$10,186,000 and HK$2,083,000 (six months ended 30 September 2014: HK$18,518,000 and HK$3,880,000) have been included in selling and distribution costs and administrative expenses respectively.*

^ *The amount has been included in other income and net gains (six months ended 30 September 2014: other operating expenses) (note 13).*

\## *The amount has been included in cost of sales.*

7. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on borrowings	**30,162**	16,387

8. INCOME TAX EXPENSE

Hong Kong Profits Tax is provided at the rate of 16.5% (six months ended 30 September 2014: 16.5%) on estimated assessable profit derived in Hong Kong for the period.

Income tax of certain subsidiaries of the Company in Mainland China is charged at 25% (six months ended 30 September 2014: 25%) on estimate 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 period or a fixed amount of Malaysian Ringgit 20,000, whichever is lower.

	Six months ended 30 September	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Other jurisdictions:		
– Charge for the period	**21**	58
– Under-provision in prior year	**833**	183
	854	241
Deferred tax		
– Tax for the period	**(9)**	(140)
Total income tax expense	**845**	101

9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2015 and 2014, nor has any dividend been proposed since the end of reporting period.

10. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK$23,291,000 (six months ended 30 September 2014: profit of HK$3,486,000) and on the weighted average of 2,979,828,850 (six months ended 30 September 2014: 2,979,828,850) ordinary shares in issue during the period.

(b) Diluted

The diluted (loss)/earnings per share for the six months ended 30 September 2015 and 2014 are the same as basic (loss)/earnings per share as the potential ordinary shares have no dilutive effect on (loss)/earnings per share.

11. BALANCES WITH RELATED PARTIES

(a) Rental deposits paid to a related party

The Group entered into several agreements with Mr. Qi Jian Hong ("Mr. Qi"), a substantial shareholder of the Company, for leasing of properties as office premises, warehouse and showrooms in Mainland China to the Group. The rental deposits paid to Mr. Qi of HK$17,554,000 (31 March 2015: HK$18,181,000) have been recognised as non-current assets as at 30 September 2015.

(b) Amounts due from related parties

The amount due from Mr. Qi of HK$17,456,000 (31 March 2015: HK$18,000,000) which results from prepaid rental expenses for leasing of properties as office premises, warehouse and showrooms in Mainland China to the Group is unsecured, interest-free and repayable on demand but the directors of the Company expect such amount would be utilised through setting off of future rental expenses payable to this related party within one year.

The amount due from 北京耀萊金榜酒業有限公司 (a company controlled by Mr. Qi) ("BJSRGB") of HK$773,000 (31 March 2015: HK$1,410,000), resulting from provision of management services, is unsecured, interest-free and repayable on demand.

12. TRADE RECEIVABLES

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

	30 September 2015 *HK$'000* **(Unaudited)**	31 March 2015 *HK$'000* (Audited)
0-30 days	**1,506**	136
31-60 days	**1,074**	–
61-90 days	**318**	–
	2,898	136

It is the Group's credit policy that sales to retail customers are mainly on receipts in advance from customers, cash on delivery or on a credit basis up to 2 months (31 March 2015: 2 months), while sales to wholesale customers are mainly on a credit basis up to 18 months (31 March 2015: up to 18 months).

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group had in prior year acquired certain wine futures which are classified as financial assets at fair value through profit or loss. During the six months ended 30 September 2014, the Group had exercised these wine futures and a gain of approximately HK$5,000 arising from the exercise of wine futures had been recognised in profit or loss for the six months ended 30 September 2014 and included in other income and net gains as disclosed in note 5. The Group did not own any wine futures during the six months ended 30 September 2015 and as at 30 September 2015.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The Group used foreign currency forward contracts to mitigate exchange rate exposure of Euros ("EUR") against HK$. The foreign currency forward contracts were not designated for hedge purposes and are measured at fair value through profit or loss. Realised gains on foreign currency forward contracts amounting to HK$368,000 were credited to profit or loss during the period (six months ended 30 September 2014: unrealised losses of HK$3,055,000). The Group did not enter into any foreign currency forward contracts during the six months ended 30 September 2015 and as at 30 September 2015.

15. TRADE PAYABLES

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

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 - 30 days	**7,170**	3,970
31 - 60 days	**11,101**	2,890
61 - 90 days	**2,697**	6,885
Over 90 days	**6,768**	10,320
	27,736	24,065

16. BORROWINGS

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current portion:		
Bank loans, guaranteed	**3,512**	114,726
Bank loans, secured	**78,132**	176,444
Other loans, secured	**164,616**	143,337
Bank loans, secured and guaranteed	**357,003**	531,410
Other loans, secured and guaranteed	**240,936**	168,649
Bank overdrafts, secured and guaranteed	**16,685**	10,798
	860,884	1,145,364

As at the reporting date, the borrowings were scheduled to repay on demand or within one year.

The effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are:

	30 September 2015	31 March 2015
	(Unaudited)	(Audited)
Bank loans, secured and/or guaranteed	**HIBOR +2.5% to HIBOR + 3% per annum, LIBOR +1.8% to LIBOR + 2.5% per annum and 5.29% to 7.28% per annum**	HIBOR +2.5% to HIBOR + 3% per annum, LIBOR +1.8% to LIBOR + 2.5% per annum and 5.7% to 7.8% per annum
Other loans, secured and/or guaranteed	**7.1% to 8% per annum**	7.1% to 8.25% per annum
Bank overdrafts, secured and guaranteed	**HIBOR + 3% per annum**	HIBOR + 3% per annum

As at 30 September 2015, the Group's inventories of HK$669,202,000 (31 March 2015: HK$793,944,000) and bank deposits of HK$104,536,000 (31 March 2015: HK$230,470,000) were pledged to banks or other financial institutions to secure general banking facilities granted to the Group.

The borrowings were also subject to corporate guarantees executed by the Company and certain subsidiaries during the six months ended 30 September 2015 and the year ended 31 March 2015.

The carrying amounts of the borrowings are denominated in the following currencies:

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
EUR	**–**	2,230
Hong Kong Dollars	**21,959**	14,074
Renminbi ("RMB")	**836,617**	1,115,912
Swiss Franc	**2,308**	10,445
United States Dollars	**–**	2,703
	860,884	1,145,364

17. OPERATING LEASE COMMITMENTS

(a) Group as lessor

The Group sub-leases out a number of rented premises under operating leases. The leases run for an initial non-cancellable period of three to five years (31 March 2015: five years). The rentals on these leases are calculated based on a percentage of the relevant sales of the tenants or at a fixed rate pursuant to the rental agreements. Contingent rents recognised in profit or loss during the six months ended 30 September 2015 amounted to approximately HK$1,794,000 (six months ended 30 September 2014: HK$10,603,000).

As at the reporting date, the total future minimum lease payments receivable by the Group under non-cancellable operating leases are as follows:

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**30,864**	–
In the second to fifth years, inclusive	**107,982**	–
	138,846	–

(b) Group as lessee

As at the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases, including operating lease commitment to a related party, are as follows:

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**131,122**	137,853
In the second to fifth years inclusive	**435,734**	472,839
After five years	**73,902**	115,462
	640,758	726,154

The Group leases a number of office premises, warehouse, showrooms and staff quarters under operating leases. The leases run for an initial period of one to ten years (31 March 2015: one to ten years). None of these leases include contingent rentals.

18. CAPITAL COMMITMENTS

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for capital contributions in a subsidiary	**11,723**	–

On 30 September 2015, the Group and Oettinger Davidoff AG ("ODAG"), an independent third party, entered into a shareholder's agreement (the "Agreement") for the formation of an entity (the "NewCo"), which is to be held as to 50.1% by the Group and 49.9% by ODAG for the purpose of carrying out the business of cigars and smoker's accessories in the Mainland China. Pursuant to the Agreement, the Group is obligated to contribute capital of US$1,503,000 (equivalent to approximately HK$11,723,000) to the New Co. Details of the Agreement for the formation of the NewCo were set out in the Company's announcement dated 2 October 2015.

PROSPECT

China's economy grew 6.9% in the third quarter of 2015, the weakest rate since the global financial crisis in 2009. The year-on-year growth rate was also below the government's target of 7%. Sheng Laiyun, National Bureau of Statistics spokesperson mentioned that global factors amid the world economic recovery had impacted on China and expectation of a US interest rate hike prompted volatility in commodity prices, stocks and foreign currency markets. Many countries devalued their currencies, putting more pressure on Chinese exports, one of the three pillars of China's economic growth. Additionally, Goldman Sachs, a global investment banking, securities and investment management firm marked down its 2016, 2017 and 2018 China's GDP projections to 6.4%, 6.1% and 5.8%, respectively from 6.7%, 6.5% and 6.2%, previously. As for 2015, Goldman Sachs retrained its forecast of 6.8% growth, a notable deceleration from last year, when the economy expanded 7.4%. The Chinese government is targeting growth of "around 7%" this year.

In view of the violate situation during the financial period under review, the Board estimated a net loss and had issued a profit warning on 9 November 2015. According to the announcement, the Board informed the shareholders of the Company and potential investors that the Group would record a net loss in this financial period as compared with a net profit of approximately HK$1.9 million in the previous financial period.

China's Luxury Goods Market

There are quite a few ongoing updates and research reports published from reputable authorities, investment banks and global research houses on "the Deceleration/Weak Sales of China's Luxury Market". According to the 2015 worldwide luxury report issued by Bain & Company on 29 October 2015, the personal luxury goods market which included leather accessories, fashion, hard luxury and fragrance & cosmetics reached 253 billion Euros in 2015. This represents a growth of 13% at current exchange rates, while real growth is significantly slowing to 1-2%. Over the past several years, Bain & Company referred "luxury's new normal" to a deceleration of the personal luxury goods market. The challenge for luxury brands in this environment was how to successfully navigate through hard-to-predict volatility. Nevertheless, Chinese consumers continued to make up the largest portion of luxury purchases (31%) globally, followed closely by Americans (24%) and Europeans (18%).

CBRE, the world's leading commercial property and real estate services adviser, issued a research report entitled "The Future of Luxury Retail in Asia Pacific: New Demand Drivers and Shifting Occupier Requirements" in October 2015. Although the high growth period for luxury retailers in Asia Pacific is gradually coming to an end, CBRE retains a cautiously optimistic outlook. The report observed that a total of 237 luxury international retailers had opened stores for the first time in 27 cities across Asia Pacific over the past three years. Besides, over 90% of international luxury retailers, as monitored by CBRE, had at least one standalone store in the region. China had an 87% market penetration rate for luxury retailers, followed by Hong Kong at 81%, Japan at 79%, and Singapore at 75%. Mainland China and Hong Kong were the most popular destinations for brands new to Asia and accounted for one-third of new market entrants.

In spite of the downturn of China's economic growth, the Group is confident that China remains a potential consumption in luxury goods market driven by the largest luxury purchases portion of Chinese consumers.

BUSINESS REVIEW

Starting from the financial period under review, the Group re-presented its segments into three divisions – (i) Automobile Dealerships, (ii) Watch Dealerships and Jewellery Distributorships and (iii) Others – with a view to simplifying the segmental classifications based on respective revenue contributions.

Automobile Dealerships

During the financial period under review, Lamborghini recorded positive sales results but Bentley and Rolls-Royce experienced a drop in revenue. Lamborghini performed the best with the largest sales increment, amounting to HK$55 million and representing a 20.4% increase in sales in the financial period under review from HK$45.7 million during the corresponding financial period last year, attributable to strong sales of new model Huracan. A total of 13 units of Lamborghini were sold, representing an increase of 62.5% compared with 8 in the corresponding financial period last year.

According to an article issued by The Guardian entitled “Sales of Lamborghinis race to a new record” on 11 September 2015, Lamborghini said it would beat last year’s record sales of 2,530 cars, thanks to the popularity of its Huracan model. The brand’s chief executive, Stephen Winkelmann, said:“We believe we will conclude the 2015 business year in a better way than the previous year.” He also attributed the higher sales to the new model and the generally improved global economic outlook. Despite the economic downturn in China, sales in Mainland China remained stable, but increased with business in Hong Kong and Taiwan.

Bentley recorded a 20.9% decrease in unit sales to 170 units sold during the financial period under review, compared with 215 units in the corresponding period last year. The brand recorded a decline in sales during this financial period with a total of HK$608.5 million, representing a decrease of 23.7% compared with that of HK$797.9 million recorded in the corresponding financial period last year.

Rolls-Royce recorded a decline in sales during this financial period with a total of HK$364.7 million, representing a significant drop of 41.2% compared with that of HK$620.3 million recorded in the corresponding financial period last year. At the same time, a total of 63 units of Rolls-Royce were sold, representing a decrease of 35.1% compared with 97 in the corresponding financial period last year.

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

Revenue of after-sales services during this financial period remained about the same registering an increase of 0.5% as compared with the corresponding period last year. Regarding the gross profit margin, we saw an increase from 37.3% in the corresponding financial period last year to 53% in the current financial period due to substantial reduction of one-off gifts to our customers in this financial period. We expect after-sales services income will grow steadily in the upcoming financial periods.

That said, we are glad to report that the Group remains one of the leading dealers of these three brands in the PRC.

Watch Dealerships & Jewellery Distributorships

During the current financial period, the sales performance of our super deluxe branded watch division performed satisfactorily with an increase in revenue of approximately 34.2% to approximately HK$71.4 million, as compared with approximately HK$53.2 million in the previous financial period.

Sales of top-tier branded jewellery division decreased in term of quantity and sales amount, recorded sales revenue of HK$8.94 million as compared with HK$18.11 million in the last financial period.

122 pieces of watches were sold in this financial period compared with 141 pieces in the previous financial period. Brands included Richard Mille, Parmigiani, DeWitt, DelaCour and Buben & Zorweg.

204 pieces of jewellery division were sold in this financial period compared with 257 pieces in the previous financial period. Brands included Boucheron and Royal Asscher.

Gross profit margin of watch division declined during the current financial period from 28.6% in the last financial period to 18.4% in the current financial period while gross profit margin of jewellery division increased from 24.3% in the previous financial period to 37.6% in the current financial period.

Among the watches and jewellery brands under our Group, Richard Mille performed the best.

Others

During the current financial period, the sales performance of this division performed satisfactorily with revenue recorded an approximate 89.7% increase to approximately HK$27.5 million, as compared with approximately HK$14.5 million in the previous financial period.

Among all brands under this division including fine wine, audio equipment, menswear apparel and accessories and tobacco products, Bang & Olufsen performed the best.

In late September 2015, the Group entered into a Shareholders' Agreement in relation to the formation of a New Joint Venture Company with Oettinger Davidoff AG for the purpose of carrying out the business of cigars and smoker's accessories in the Mainland China. The Group hopes the business would be able to diversify its non-auto product portfolio and to expand its top-tier branded consumer goods market in the PRC.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 September 2015 was approximately HK$1,211.3 million, representing a decrease of approximately 25.4% as compared with approximately HK$1,624.6 million recorded in the same period last year. The decrease was due to the challenging retail condition. The table below sets out the Group's revenue for the period indicated:

	Six months ended 30 September					
	2015		2014		**Changes**	
		Contribution		*Contribution*		
Revenue Source	***HK$'000***	***(%)***	*HK$'000*	*(%)*	*HK$'000*	*%*
Automobile segment						
Sales of automobiles	**1,028,243**	**84.9%**	1,463,972	90.1%	(435,729)	-29.8%
Provision of after-sales services	**75,218**	**6.2%**	74,849	4.6%	369	0.5%
Total	**1,103,461**	**91.1%**	1,538,821	94.7%	(435,360)	-28.3%
Branded watch and jewellery segments	**80,382**	**6.6%**	71,317	4.4%	9,065	12.7%
Other segments	**27,508**	**2.3%**	14,478	0.9%	13,030	90.0%
	1,211,351		1,624,616		413,265	-25.44%

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 September 2015 increased by 6.7% to approximately HK$101.8 million (30 September 2014: HK$95.5 million). The increase was mainly due to (i) an increase of 42% in the gross profit from income derived from the provision of after-sale services and; (ii) a substantial increase of approximately 116% in incentive bonuses from automobile supplier which was resulted from the bargain deal in the fourth quarter of last financial year. Such bonuses were deducted from our cost of sales.

The gross profit margin of the Group for the six months ended 30 September 2015 increased to 8.4% (30 September 2014: 5.9%).

Other Income and Net Gains

Other income decreased significantly from HK$113.8 million for the period ended 30 September 2014 to HK$46.4 million for the period ended 30 September 2015. The decrease was mainly due to (i) that the Group did not provide any training services or generate any income from training services in respect of training of initiating knowledge and skill of distributorship of branded automobiles during the six months ended 30 September 2015; and (ii) a decline in the size of sales leading to decrease in marketing bonus from suppliers.

Other Operating Expenses

Net realised gain on foreign currency forward contracts of this financial period was HK$368,000 as compared with an unrealised loss of HK$3,055,000 recorded in the last financial period.

Finance Costs

The finance costs of the Group increased by 84.1% from HK$16.4 million for the period ended 30 September 2014 to HK$30.2 million for the period ended 30 September 2015. The increase was due to the increase in financing for the bulk purchase of automobiles coupled with a slower inventory turnover rate in automobile business.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 September 2015 were approximately HK$2,105.1 million (31 March 2015: HK$2,410.5 million) which were supported by the owners' equity and total liabilities of approximately HK$1,079.5 million (31 March 2015: HK$1,112.6 million) and HK$1,009.2 million (31 March 2015: HK$1,280.2 million) respectively.

Cash Flow

The Group's bank balances and cash as of 30 September 2015 were approximately HK$123.6 million (31 March 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 period under review.

The directors of the Company (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 30 September 2015 were approximately HK$860.9 million, representing an decrease of 24.8% from approximately HK$1,145.4 million as at 31 March 2015. The Group's borrowings were mainly denominated in RMB. The decrease was mainly due to substantial repayment of borrowings during the period under review.

Gearing Ratio

The Group's gearing ratio computed as total borrowings over the owners' equity decreased to 79.7% as at 30 September 2015 (31 March 2015: 102.9%).

Inventories

As at 30 September 2015, the Group's inventories decreased by 21.9% from approximately HK$1,499.6 million as at 31 March 2015 to HK$1,170.8 million, primarily due to the decrease in automobile inventories which comprised approximately 64% of the inventories of the Group.

The Group's average inventory turnover days increase from 116 days for the six months period ended 30 September 2014 to 220 days for the year six months period ended 30 September 2015, primarily due to the challenging retail condition.

Exposure to Foreign Exchange

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 the period under review. At 30 September 2015, the Group recognised net realised gain of approximately HK$0.4 million which resulted from the foreign currency forward contracts entered into in the last financial year (30 September 2014: net unrealised loss of HK$3.1 million).

Contingent Liabilities and Capital Commitment

On 30 September 2015, the Group and Oettinger Davidoff AG ("ODAG"), an independent third party, entered into a shareholder's agreement (the "Agreement") for the formation of an entity (the "NewCo"), which is to be held as to 50.1% by the Group and 49.9% by ODAG for the purpose of carrying out the business of cigars and smoker's accessories in the Mainland China. Pursuant to the Agreement, the Group is required to contribute capital of US$1,503,000 (equivalent to approximately HK$11,723,000) to the NewCo. Details of the Agreement for the formation of the NewCo were set out in the Company's announcement dated 2 October 2015.

Other than that, the Group did not have any significant capital commitment as at 30 September 2015 (31 March 2015: nil) in respect of acquisition of property, plant and equipment. The Board considered that the Group had no material contingent liabilities as at 30 September 2015.

Charges on Assets

As at 30 September 2015, pledged deposits and inventories of the Group with aggregate carrying amounts of approximately HK$104.5 million (31 March 2015: HK$230.5 million) and HK$669.2 million (31 March 2015: HK$793.9 million) respectively were pledged to secure general banking facilities granted to the Group.

Human Resources

As at 30 September 2015, the Group had 485 employees (31 March 2015: 477). Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$22 million for the six months ended 30 September 2015 (30 September 2014: HK$21 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.

OUTLOOK

Market Watch reported that, in June 2015, new car sales in the PRC recorded the first year-on-year decline since February 2013, as slowing economic growth and falling stock markets hit the auto market. However, one of our automobile brands, Bentley, will launch a new SUV model named Bentayga in 2016. The Board is still cautiously positive towards this because such new model of ultra-luxury autos will be able to stimulate sales of our auto segment.

Looking ahead, given the challenging situation of the luxury goods markets in the PRC, the Group is confident in the long term of our industry driven by Chinese spending boosted by a rise in the Middle classes. The Group is still cautiously optimistic and committed to continue our leading roles as a luxury goods brand manager. We are still committing to expand the non-auto businesses to diversify our product portfolio while destocking of our watch, jewellery and wine inventory remain a top priority. At the same time, we are reviewing and analyzing the profitability and potential of our various stores and will make appropriate adjustments if desired. During the current financial period, the Group acquired a premium branded cigars, Oettinger Davidoff AG through a joint-venture set up with our wholly-owned subsidiary, Carnaby Group Limited. On 6 November 2015, the joint venture company was incorporated in Hong Kong and named as Sparkle Roll Cigars Holding Limited. Through the joint venture, we are hoping to bring the top-tier cigars and accessories into Mainland China and enhance its brand awareness.

On the other hand, we observe that our e-commerce sales surged by approximately 3 times during this financial period as compared with the previous financial period, mainly attributable to B&O PLAY. To better seize the opportunities of the emerging e-commerce market, the Group intends to analyze and plan a larger scale of e-commerce business operation. Appropriate disclosure will be announced should further updates be available.

The Board recommended not to declare an interim dividend for this financial period. The Group would like to reserve more capital to capture opportunities and meet the challenges ahead.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: nil).

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 period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 throughout the six months ended 30 September 2015.

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.

CORPORATE GOVERNANCE PRACTICES

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 six months ended 30 September 2015, the Group has adopted the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Company has been in compliance with the CG Code throughout the six months ended 30 September 2015.

Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Choy Sze Chung, Jojo (Chairman of the Audit Committee), Mr. Lam Kwok Cheong and Mr. Lee Thomas Kang Bor with written terms of reference in line with the code provisions set out in the CG Code. The Audit Committee has reviewed and approved the Interim Financial Information for the six months ended 30 September 2015. The Audit Committee is not aware of any material modifications that should have been made to the Interim Financial Information for the six months ended 30 September 2015.

BDO Limited has reviewed the Interim Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, namely, Mr. Lam Kwok Cheong (Chairman of the Remuneration Committee), Mr. Choy Sze Chung, Jojo, Mr. Lee Thomas Kang Bor, and two executive directors, namely Mr. Tong Kai Lap (Chairman of the Board) and Mr. Zheng Hao Jiang (Chief Executive Officer).

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure in relation to the remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

Nomination Committee

The Nomination Committee comprises three independent non-executive directors, namely, Mr. Lee Thomas Kang Bor (Chairman of the Nomination Committee), Mr. Choy Sze Chung, Jojo and Mr. Lam Kwok Cheong.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the board regarding any proposed changes, identifying individuals suitably qualified to become Board members, and select or make recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

Directors' Responsibilities for the Financial Statements

The directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the Interim Financial Information, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent, fair and reasonable and prepared the Interim Financial Information on a going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Publication of Interim Results Announcement and Interim Report

The interim results announcement is available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.hk970.com. The interim report of the Company will be despatched to the shareholders of the Company and make available on the above websites in due course.

By Order of the Board
Sparkle Roll Group Limited
Tong Kai Lap
Chairman

Hong Kong, 27 November 2015

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