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 2016

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 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 September 2016

		Six months ended 30 September	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue		**1,369,359**	1,211,351
Cost of sales		**(1,221,542)**	(1,109,507)
Gross profit		**147,817**	101,844
Other income and net gains	*5*	**38,345**	46,433
Selling and distribution costs		**(112,231)**	(107,314)
Administrative expenses		**(30,513)**	(34,253)

* *for identification purpose only*

	Notes	Six months ended 30 September **2016** **HK$'000** **(Unaudited)**	2015 HK$'000 (Unaudited)
Operating profit	*6*	**43,418**	6,710
Finance costs	*7*	**(7,969)**	(30,162)
Profit/(loss) before income tax		**35,449**	(23,452)
Income tax expense	*8*	**(1,382)**	(845)
Profit/(loss) for the period		**34,067**	(24,297)
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		**(16,136)**	(10,181)
Total comprehensive income for the period		**17,931**	(34,478)
Profit/(loss) for the period attributable to:			
Owners of the Company		**34,214**	(23,291)
Non-controlling interests		**(147)**	(1,006)
		34,067	(24,297)
Total comprehensive income attributable to:			
Owners of the Company		**18,466**	(33,038)
Non-controlling interests		**(535)**	(1,440)
		17,931	(34,478)
Earnings/(loss) per share attributable to owners of the Company during the period	*10*		
Basic and diluted earnings/(loss) per share		**HK1.15 cents**	HK(0.78) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	**30 September 2016 *HK$'000* (Unaudited)**	31 March 2016 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**95,698**	107,023
Goodwill		**206,171**	206,171
Other intangible asset		**511**	550
Amount due from a non-controlling interest	*11(a)*	**–**	2,320
Rental deposits paid to a related party	*11(b)*	**16,744**	17,554
		319,124	333,618
Current assets			
Inventories		**867,766**	1,000,203
Trade receivables	*12*	**8,091**	8,527
Deposits, prepayments and other receivables		**194,268**	152,350
Amounts due from related parties	*11(c)*	**17,554**	18,677
Amount due from a non-controlling interest	*11(a)*	**774**	9,281
Pledged deposits		**64,289**	55,686
Cash at banks and in hand		**103,126**	157,164
		1,255,868	1,401,888
Current liabilities			
Trade payables	*14*	**9,914**	27,444
Receipts in advance, accrued charges and other payables		**148,465**	129,545
Amount due to a related party	*11(c)*	**24**	–
Amounts due to non-controlling interests	*11(a)*	**1,761**	1,284
Provision for taxation		**3,469**	3,458
Borrowings	*15*	**308,399**	488,740
		472,032	650,471
Net current assets		**783,836**	751,417
Total assets less current liabilities		**1,102,960**	1,085,035

	Notes	30 September 2016 HK$'000 (Unaudited)	31 March 2016 HK$'000 (Audited)
Non-current liabilities			
Other payables		**267**	273
Deferred tax liabilities		**1,036**	1,036
		1,303	1,309
Net assets		**1,101,657**	1,083,726
EQUITY			
Share capital		**5,959**	5,959
Reserves		**1,068,685**	1,050,219
Equity attributable to owners of the Company		**1,074,644**	1,056,178
Non-controlling interests		**27,013**	27,548
Total equity		**1,101,657**	1,083,726

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2016

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 in 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 condensed 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 condensed 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 2016 (the "2016 Annual Financial Statements"), except for the adoption of the new and revised 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 condensed interim financial information.

The condensed 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 condensed 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 2016 Annual Financial Statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle

The adoption of these new and revised HKFRSs did not change the Group's accounting policies as followed in the preparation of the 2016 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.

The executive directors have identified the following reportable operating segments:

(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, audio equipment, menswear apparels and accessories and 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, if any, are priced with reference to prices charged to external parties for similar transaction.

Segment revenue and results

For the six months ended 30 September 2016

	Automobiles *HK$'000* **(Unaudited)**	**Branded watches and jewelleries** *HK$'000* **(Unaudited)**	**Others** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue from external customers	**1,248,521**	**76,933**	**43,905**	**1,369,359**
Other income and net gains	**33,674**	**1,331**	**759**	**35,764**
Reportable segment revenue	**1,282,195**	**78,264**	**44,664**	**1,405,123**
Reportable segment results	**71,163**	**(5,115)**	**(6,660)**	**59,388**

For the six months ended 30 September 2015

	Automobiles *HK$'000* (Unaudited)	Branded watches and jewelleries *HK$'000* (Unaudited)	Others *HK$'000* (Unaudited)	Total *HK$'000* (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

Segment assets and liabilities

As at 30 September 2016

	Automobiles	**Branded watches and jewelleries**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Reportable segment assets	**1,063,275**	**294,370**	**185,894**	**1,543,539**
Deposits, prepayments and other receivables				**2,164**
Corporate assets:				
– financial assets				**25,699**
– non-financial assets				**3,590**
Consolidated total assets				**1,574,992**
Reportable segment liabilities	**119,664**	**11,543**	**27,213**	**158,420**
Borrowings				**308,399**
Corporate liabilities:				
– financial liabilities				**2,011**
– non-financial liabilities				**4,505**
Consolidated total liabilities				**473,335**

As at 31 March 2016

	Automobiles	Branded watches and jewelleries	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Audited)
Reportable segment assets	1,155,480	384,823	181,934	1,722,237
Deposits, prepayments and other receivables				3,846
Corporate assets:				
– financial assets				5,484
– non-financial assets				3,939
Consolidated total assets				1,735,506
Reportable segment liabilities	105,044	23,912	27,658	156,614
Borrowings				488,740
Corporate liabilities:				
– financial liabilities				1,932
– non-financial liabilities				4,494
Consolidated total liabilities				651,780

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

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment results	**59,388**	19,258
Bank interest income	**260**	1,341
Net realised gains on derivative financial instruments	**–**	368
Unallocated corporate income	**2,321**	1,304
Unallocated corporate expenses	**(18,551)**	(15,561)
Finance costs	**(7,969)**	(30,162)
Profit/(loss) before income tax	**35,449**	(23,452)

Unallocated corporate income and expenses mainly comprised gain on disposals of property, plant and equipment, income from exhibitions and other services and other corporate income and expenses of the Group's headquarter which are not directly attributable to the business activities of any operating segment.

5. OTHER INCOME AND NET GAINS

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**260**	1,341
Bonuses from suppliers	**9,081**	9,348
Net realised gains on derivative financial instruments *(note 13)*	**–**	368
Gain on disposals of property, plant and equipment	**2,195**	189
Income from exhibitions and other services	**1,286**	2,726
Income from insurance brokerage	**23,811**	16,886
Sub-lease income	**–**	14,016
Management fee income	**778**	739
Others	**934**	820
	38,345	46,433

6. OPERATING PROFIT

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

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of other intangible asset[#]	**39**	39
Cost of inventories recognised as expense, including	**1,221,542**	1,109,507
– Write-down of inventories	**1,047**	3,000
Depreciation of property, plant and equipment*	**12,033**	12,269
Exchange differences, net	**1,305**	1,192
Net realised gains on derivative financial instruments	**–**	(368)
Gain on disposals of property, plant and equipment	**(2,195)**	(189)
Operating lease payments in respect of rented premises	**47,029**	69,184
Defined contribution retirement benefits scheme contributions for employees	**4,683**	4,677
Staff costs, including directors' emoluments	**18,813**	17,443
Total staff costs	**23,496**	22,120

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

* *Depreciation of approximately HK$10,822,000 and HK$1,211,000 (six months ended 30 September 2015: HK$10,186,000 and HK$2,083,000) have been included in selling and distribution costs and administrative expenses, respectively.*

7. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and overdraft	**6,955**	19,117
Interest on other loans	**1,014**	11,045
	7,969	30,162

8. INCOME TAX EXPENSE

Hong Kong Profits Tax is provided at the rate of 16.5% (six months ended 30 September 2015: 16.5%) on estimated assessable profit derived in Hong Kong for the period.

The Group's subsidiaries in Mainland China are subject to income tax at the rate of 25% except that a subsidiary is entitled to tax exemption for the six months ended 30 September 2016.

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	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong		
Under-provision in prior years	**405**	–
– Other jurisdictions:		
Charge for the period	**49**	21
Under-provision in prior years	**928**	833
	1,382	854
Deferred tax		
– Tax for the period	**–**	(9)
Total income tax expense	**1,382**	845

9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2016 and 2015, nor has any dividend been proposed since the end of reporting period.

10. EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK$34,214,000 (six months ended 30 September 2015: loss of HK$23,291,000) and on the weighted average of 2,979,828,850 (six months ended 30 September 2015: 2,979,828,850) ordinary shares in issue during the period.

(b) Diluted

The diluted earnings/(loss) per share for the six months ended 30 September 2016 and 2015 are the same as basic earnings/(loss) per share as the potential ordinary shares have no dilutive effect on earnings/(loss) per share.

11. BALANCES WITH NON-CONTROLLING INTERESTS/RELATED PARTIES

(a) Amounts due from/to non-controlling interests

As at 30 September 2016, the amount due from a non-controlling interest, representing capital contribution receivables from the non-controlling interest of Sparkle Roll Cigars Holdings Limited, is unsecured, interest-free and receivable in September 2017 (31 March 2016: HK$9,281,000 is receivable within one year from the reporting date while the remaining balance of HK$2,320,000 is receivable in September 2017).

The amounts due to the non-controlling interests are unsecured, interest-free and repayable on demand.

(b) 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$16,744,000 (31 March 2016: HK$17,554,000) have been recognised as non-current assets as at 30 September 2016.

(c) Amounts due from/to related parties

	Notes	30 September 2016 HK$'000 (Unaudited)	31 March 2016 HK$'000 (Audited)
Mr. Qi	*(i)*	**16,744**	17,561
北京耀萊金榜酒業有限公司 ("BJSRGB")	*(ii)*	**705**	1,116
Sparkle Roll Aircraft Management (HONGKONG) Limited ("SRAMHK")	*(ii)*	**105**	–
Total amounts due from related parties		**17,554**	18,677

(i) The amount due from Mr. Qi, resulting 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 will be utilised through setting off future rental expenses payable to Mr. Qi within one year.

(ii) The amounts due from BJSRGB and SRAMHK, resulting from provision of management services, are unsecured, interest-free and repayable on demand. Both entities are controlled by Mr. Qi.

Except as mentioned above, the balances with other related parties are 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 2016 HK$'000 (Unaudited)	31 March 2016 HK$'000 (Audited)
0-30 days	**2,191**	1,736
31-120 days	**303**	1,077
Over 120 days	**5,597**	5,714
	8,091	8,527

The Group's trading terms with its retail customers are mainly receipts in advance from customers or cash on delivery, except for certain transactions with creditworthy customers where the credit period is extendable up to 21 months, whereas the trading terms with wholesale customers are generally one to two months. In addition, the Group generally provides a credit term of two to three months to automobile manufacturers for the in-warranty after-sale services.

13. 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 are not designated for hedge purposes and are measured at fair value through profit or loss. All these forward contracts were settled as of 30 September 2015. The Group did not enter into any new foreign currency forward contracts since then. Realised gains on foreign currency forward contracts amounting to HK$368,000 were credited to profit or loss during the six months ended 30 September 2015.

14. TRADE PAYABLES

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

	30 September 2016	31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-30 days	**3,502**	14,865
31-60 days	**78**	952
61-90 days	**58**	2,206
Over 90 days	**6,276**	9,421
	9,914	27,444

15. BORROWINGS

	30 September 2016 HK$'000 (Unaudited)	31 March 2016 HK$'000 (Audited)
Current portion:		
Bank loans, guaranteed	**3,930**	4,024
Bank loans, secured	**68,999**	46,177
Bank loans, secured and guaranteed	**120,742**	323,397
Other loans, secured and guaranteed	**114,728**	115,142
	308,399	488,740
Effective interest rates per annum in the range of:		
– fixed rate borrowings	**4.35% – 7.50%**	4.35% – 8.00%
– variable rate borrowings	**1.89% – 5.25%**	2.75% – 3.20%

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

As at 30 September 2016, the Group's inventories of HK$261,237,000 (31 March 2016: HK$424,569,000) and bank deposits of HK$64,289,000 (31 March 2016: HK$55,686,000) were pledged to secure the loan 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 2016 and the year ended 31 March 2016.

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

	30 September 2016 HK$'000 (Unaudited)	31 March 2016 HK$'000 (Audited)
Renminbi ("RMB")	**298,799**	484,233
Hong Kong Dollars	**9,600**	2,960
EUR	**–**	1,547
	308,399	488,740

16. OPERATING LEASE COMMITMENTS

(a) Group as lessor

In prior periods, the Group sub-leases out a number of rented premises under operating leases which run for an initial non-cancellable period of five years. The rentals on these leasees are calculated based on a percentage of the relevant sales of the tenants pursuant to the lease agreement. All of these lease agreements were terminated during the year ended 31 March 2016 and the Group does not have any operating lease commitment in which the Group acts as a lessor as at 30 September 2016 (31 March 2016: nil). No contingent rents are recognised in profit or loss during the six months ended 30 September 2016 (six months ended 30 September 2015: HK$1,794,000).

(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 2016	31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**88,738**	93,055
In the second to fifth years inclusive	**259,074**	295,207
After five years	**28,884**	39,429
	376,696	427,691

The Group leases a number of office premises, bonded warehouse, showrooms and staff quarters under operating leases. The leases run for an initial period of one to ten years (31 March 2016: one to ten years). The actual payments in respect of certain operating leases are calculated at the higher of the minimum commitments as noted in the table above and the amounts determined based on certain percentage of sales of the related retail shops.

17. CAPITAL COMMITMENTS

	30 September 2016	31 March 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for in respect of purchase of property, plant and equipment	**–**	523

PROSPECT

In the first three quarters of 2016, China has been facing complicated and challenging domestic conditions as the country reported a greater-than-expected fall in dollar-denominated trade in July. Global markets have been highly sensitive to hints that China's slowdown is worsening, contributing to a major equity rout in January. Externally, United Kingdom will be facing continuous challenges in the coming two to three years after it voted to leave the European Union. According to the International Monetary Fund (IMF) forecast dated 12 August 2016, China's economy will be growing by 6.6 percent in 2016 but slowing each year thereafter until 2021. The exception is 2018 and 2019, with a growth of 6.0 percent seen each year and will fall below 6 percent in 2020. Despite the slowdown, China's growth outlook remains far higher than those advanced economies and many emerging ones. The IMF sees the world average economic growth of just 3.1 percent in 2016 and 3.4 percent in 2017. Similarly, rating agency Moody's Investors Service raised its forecasts for China's economic growth in the wake of "significant" fiscal and monetary stimulus policies. On 17 August 2016, the rating agency raised its economic growth forecasts of China to 6.6 percent for 2016 from 6.3 percent previously and to 6.3 percent in 2017, up from 6.1 percent.

The Group is confident of the performance of our Automobile division and has foreseen positive results to be achieved. Therefore, we issued a "positive profit alert" on 4 November 2016 to keep our shareholders and potential investors informed of an expected unaudited profit recorded for the six-month period ended 30 September 2016 as compared with a net loss for the six months ended 30 September 2015. The above-mentioned positive profit alert announcement was only based on the preliminary review on the management accounts of the Group, which had not been reviewed by the Group's auditors.

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 Changing of China's Luxury Market in terms of Purchasing Patterns". According to Bain & Company's spring luxury update issued on 24 May 2016 titled "The Global Personal Luxury Goods Market in 2016 Will Mirror Last Year's Low Single-digit Real Growth, Even as Geopolitical Turmoil and Luxury Brand's Emerging Strategies Reshuffle Internal Market Dynamics", Greater China is showing signs of a comeback, particularly in Mainland China (up 2 percent at current exchange rates; 4 percent at constant exchange rates), which is on the verge of reversing a three-year decline. Bain anticipates the personal luxury goods market will continue to measure growth of 2-3 percent through 2020, reaching an estimated €280-295 billion in revenue. However, that outcome is heavily contingent upon the continuous growth in Mainland China. Chinese shoppers particularly the middle class are expected to make up approximately 34 percent of global luxury consumers in the next four years, well ahead of American and European consumers. E-commerce is also rapidly gaining ground on traditional channels at 15 percent compound annual growth revenue across formats and models, with new ones emerging all the time.

The Wall Street Journal, a New York based international business English newspaper, issued an article named "Luxury Brands Step Up Shift to Digital in China" on 20 June 2016. Although revenues from online sales are still small, just 5% of China's $22.5 billion domestic luxury market but growing fast. According to a report by business intelligence firm L2, online luxury sales rose by 20% in 2015, nearly 3 times faster than the broader luxury market, with mobile sales being the most important sector. Searches for luxury brands conducted on smartphones are nearly twice those done on a desktop, and rose 44% in 2015 on year. There are 700 million users on WeChat while Weibo has more than 200 million users. Besides, the online shift is happening as many retailers are closing their shops after quick openings during the boom years, when many rushed in to China to capture business from a burgeoning middle class. The huge but empty luxury store is a common sight in many second-and-third-tiered Chinese cities. The drop in luxury demand is partly due to shifting consumption habits and tastes.

BUSINESS REVIEW

Automobile Dealerships

During the financial period under review, all ultra-luxury cars under our portfolio – Lamborghini, Bentley and Rolls-Royce – recorded positive sales results. Lamborghini performed the best with the largest sales increment, amounting to HK$89.6 million and representing a 62.9% increase in sales in the financial period under review from HK$55 million recorded in the corresponding financial period last year, attributable to strong sales of new model Huracan. A total of 22 units of Lamborghini were sold, representing an increase of 69% as compared with 13 units sold in the corresponding financial period last year.

According to an article issued by the official website of Lamborghini titled "Record Sales For Automobili Lamborghini in the First Six Months of 2016: Deliveries Exceed 2,000 Units" on 6 July 2016, Lamborghini reported that the brilliant results in the first six months of the 2016 fiscal year had set a new sales record in its history with 2,013 cars delivered to customers surpassing the 2,000 units mark for the first time in a half year period. The brand's chief executive officer, Stefano Domenicali, said:"Thanks to the enlargement of the Huracan family, including introduction of the Spyder and rear-wheel drive version in markets worldwide in spring this year, we were able to deliver an exceptional sales performance in the first six months of 2016." He also expressed that the brand is aiming to outperform last year's sales record again with a solid order bank of Huracan and V12 model of the Aventador.

Rolls-Royce recorded an increase in sales during the financial period under review with a total of HK$432.7 million, representing an increase of 18.6% as compared with that of HK$364.7 million recorded in the corresponding financial period last year. At the same time, a total of 74 units of Rolls-Royce were sold, representing an increase of 17% as compared with 63 units sold in the corresponding financial period last year.

Bentley recorded a 12% increase in unit sales to 191 units sold during the financial period under review, as compared with 170 units sold in the corresponding period last year. The brand recorded an increase in sales during the financial period under review with a total of HK$661 million, representing an increase of 8.6% as compared with that of HK$608.5 million recorded in the corresponding financial period last year.

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

Revenue from after-sales services during the financial period under review decreased. It reached approximately HK$65.3 million, a drop of 13.2% as compared with the same recorded in the corresponding period last year. Regarding the gross profit margin, we saw a decrease from 53% in the corresponding financial period last year to 46.2% in the current financial period. The decrease in gross profit margin was due to keen competition between service providers during the financial period under review.

Watch Dealerships & Jewellery Distributorships

During the financial period under review, the sales performance of our super deluxe branded watch division recorded a decline in revenue showing an approximate 10.6% decrease to approximately HK$63.8 million, as compared with that of approximately HK$71.4 million in the corresponding financial period last year.

Sales of top-tier branded jewellery division increased in terms of quantity and sales amount, recorded sales revenue of HK$13.13 million as compared with that of HK$8.94 million in the previous financial period.

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

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

Gross profit margins of Watch division declined during the current financial period from 18.4% in the last financial period to 14.9% in the current financial period while gross profit margin of Jewellery division also decreased from 37.6% in the previous financial period to 37.4% in the current financial period.

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

Others

During the current financial period, the sales of our Others division performed satisfactorily with revenue recorded of approximate 59.6% increase to approximately HK$43.9 million, as compared with that of approximately HK$27.5 million in the previous financial period.

Among all brands under this division including fine wine, audio equipment, menswear apparel and accessories and cigars and smoker's accessories, Bang & Olufsen performed the best in terms of revenue contribution, attributable to both sales from our points-of-sale and e-commerce sales of B&O PLAY for the six months ended 30 September 2016.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 September 2016 was approximately HK$1,369.4 million, representing a increase of approximately 13.0% as compared with that of approximately HK$1,211.4 million recorded in the same period last year. The increase was due to increase of sales volume of automobiles. The table below sets out the Group's revenue for the period indicated:

	Six months ended 30 September					
	2016		2015		**Changes**	
		Contribution		*Contribution*		
Revenue Source	***HK$'000***	***(%)***	*HK$'000*	*(%)*	*HK$'000*	*%*
Automobile segment						
Sales of automobiles	**1,183,254**	**86.4%**	1,028,243	84.9%	155,011	15.1%
Provision of after-sales services	**65,267**	**4.8%**	75,218	6.2%	(9,951)	-13.2%
Total	**1,248,521**	**91.2%**	1,103,461	91.1%	145,060	13.1%
Branded watch and jewellery segments	**76,933**	**5.6%**	80,382	6.6%	(3,449)	-4.3%
Other segments	**43,905**	**3.2%**	27,508	2.3%	16,397	59.6%
	1,369,359		1,211,351		158,008	13.0%

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 September 2016 increased by 45.2% to approximately HK$147.8 million (30 September 2015: HK$101.8 million) while the gross profit margin of the Group for the six months ended 30 September 2016 increased from 8.4% to 10.8%.

The increase was mainly due to the increase in gross profit from sales of automobiles resulted from the launch of a new model of Bentley SUV as well as significant improvement in sales of Rolls-Royce. The gross profit of the automobiles segment increased from HK$36.2 million for the period ended 30 September 2015 to HK$87.8 million for the period ended 30 September 2016.

However, the gross profit of the provision of after-sales services for the six months ended 30 September 2016 decreased by 24.6% to approximately HK$30.1 million (30 September 2015: HK$39.9 million). The decrease was mainly due to the reduction of average after-sale service fee resulting from keen competition.

Other Income and Net Gains

Other income and net gains decreased from HK$46.4 million for the period ended 30 September 2015 to HK$38.3 million for the period ended 30 September 2016. The decrease was mainly due to lack of sub-lease rental income for the six months ended 30 September 2016 as compared with the same period last year, but offset by an increase in income from insurance brokerage.

Other Operating Expenses

The selling and distribution costs increased by 4.6% while administrative expenses decreased by 10.9% respectively. The changes were mainly due to the increase in marketing expenses but the increment was covered by the significantly decrease in rental expense of the Group.

Finance Costs

The finance costs of the Group decreased by 73.5% from HK$30.2 million for the period ended 30 September 2015 to HK$8.0 million for the period ended 30 September 2016. The decrease was due to the substantial reduction of average balance of borrowings during the period and reduction of interest rates by the People's Bank of China.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 September 2016 were approximately HK$1,575.0 million (31 March 2016: HK$1,735.5 million) which were supported by the owners' equity and total liabilities of approximately HK$1,074.6 million (31 March 2016: HK$1,056.2 million) and HK$473.3 million (31 March 2016: HK$651.7 million) respectively.

Cash Flow

The Group's bank balances and cash as of 30 September 2016 were approximately HK$103.1 million (31 March 2016: HK$157.2 million) which were mainly denominated in Hong Kong dollars ("HK$") 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 decrease was mainly attributable to the substantial repayment of borrowings 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 2016 were approximately HK$308.4 million, representing a decrease of 36.9% from approximately HK$488.7 million as at 31 March 2016. 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 total equity decreased to 28.0% as at 30 September 2016 (31 March 2016: 45.1%).

Inventories

As at 30 September 2016, the Group's inventories decreased by 13.2% from approximately HK$1,000.2 million as at 31 March 2016 to HK$867.8 million, primarily due to the decrease in automobile inventories which accounted for approximately 55.5% of the inventories of the Group.

The Group's average inventory turnover days decreased from 220 days for the six months period ended 30 September 2015 to 140 days for the six months period ended 30 September 2016, primarily due to substantial decrease in average inventories resulting from the improvement in the automobile retail market.

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 financial period under review. At 30 September 2016, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts (30 September 2015: net realised gain of HK$0.4 million).

Contingent Liabilities and Capital Commitment

The Group did not have any significant capital commitment as at 30 September 2016 (31 March 2016: 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 2016.

Charges on Assets

As at 30 September 2016, pledged deposits and inventories of the Group with aggregate carrying amounts of approximately HK$64.3 million (31 March 2016: HK$55.7 million) and HK$261.2 million (31 March 2016: HK$424.6 million) respectively were pledged to secure general banking facilities granted to the Group.

Human Resources

As at 30 September 2016, the Group had 502 employees (31 March 2016: 485). Staff costs (including Directors' emoluments) charged to profit or loss amounted to approximately HK$23 million for the six months ended 30 September 2016 (30 September 2015: HK$22 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

Luxury cars in the PRC have been adversely affected by the current Chinese Government's corruption crackdown. However, the outlook for the luxury car market in China is promising. It is expected that by 2020, China will become the world's leading luxury car market, leaving the United States behind. Automobile dealerships are our primary focused business and the Directors of our Group remain cautiously positive towards the Automobile division.

On 20 October 2016, the Group entered into a conditional Sales and Purchase Agreement with the companies wholly-owned by Mr. Qi Jianhong, our single largest shareholder, regarding the proposed acquisition by the Company of approximately 15.09% shareholding in Bang & Olufsen A/S and 49% equity interests in Balanorm Beo (Beijing) Trading Development Limited. A joint announcement to this effect was issued on the same date. It is expected that completion of such acquisition will take place at or around the end of 2016. Please refer to the joint announcement issued by the Company and Sparkle Roll Holdings Limited dated 20 October 2016 for details.

Looking ahead, given the still challenging environment of the luxury goods markets in the PRC, the Group is nonetheless cautiously optimistic and committed to continue our leading roles as a luxury goods manager. As mentioned previously, we have been targeting to destock our non-auto inventory, we are glad to report that satisfactory progress has been achieved during the six months ended 30 September 2016. As such, the Group plans to extend such destocking program to "Others" division, especially to those products with low stock turnover rate.

As regards "Sparkle Roll Online" project, the Group remains committed to establishing an e-commerce platform, "Sparkle Roll Online", to capture the evolving e-commerce market. The second stage of such project is expected to be launched at the end of the first quarter of 2017.

The Board does not recommend to declare an interim dividend for this financial period despite the Group was able to turn around to profitability in this financial period. The Group would like to reserve more capital to capture opportunities and meet the challenges ahead.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in distributorships of luxury goods. The operations are mainly based in Hong Kong, Mainland China and Malaysia.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: 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 2016.

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 2016, 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 2016.

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 2016. 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 2016.

The Company's auditor, 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, 22 November 2016

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