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 2017

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 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	Six months ended 30 September 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Revenue	4	**1,428,560**	1,369,359
Cost of sales		**(1,258,703)**	(1,221,542)
Gross profit		**169,857**	147,817
Other income and net gains	5	**33,842**	38,345
Selling and distribution costs		**(123,185)**	(112,231)
Administrative expenses		**(27,977)**	(30,513)
Other expenses		**(14,952)**	–
Operating profit	6	**37,585**	43,418
Share of loss of an associate		**(23,370)**	–
Finance costs	7	**(8,186)**	(7,969)
Profit before income tax		**6,029**	35,449
Income tax expense	8	**(675)**	(1,382)
Profit for the period		**5,354**	34,067
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**108,302**	(16,136)
Share of other comprehensive income of an associate		**(6,594)**	–
Other comprehensive income for the period, net of tax		**101,708**	(16,136)
Total comprehensive income for the period		**107,062**	17,931
Profit for the period attributable to:			
Owners of the Company		**4,969**	34,214
Non-controlling interests		**385**	(147)
		5,354	34,067
Total comprehensive income attributable to:			
Owners of the Company		**106,547**	18,466
Non-controlling interests		**515**	(535)
		107,062	17,931
Earnings per share attributable to owners of the Company during the period	10		
Basic and diluted earnings per share		**HK0.1 cent**	HK1.15 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	**30 September 2017** *HK$'000* **(Unaudited)**	31 March 2017 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		**91,446**	91,355
Goodwill		**206,171**	206,171
Other intangible asset		**433**	472
Investment in an associate	*11*	**698,467**	660,075
Rental deposits paid to a related party	*12(a)*	**15,812**	15,101
		1,012,329	973,174
CURRENT ASSETS			
Inventories		**977,686**	923,554
Trade receivables	*13*	**3,341**	6,654
Deposits, prepayments and other receivables		**172,468**	176,807
Amounts due from related parties	*12(b)*	**15,812**	15,622
Loans receivables	*14*	**181,960**	–
Pledged deposits		**83,482**	72,240
Restricted bank balances		**5,304**	6,180
Cash at banks and in hand		**95,507**	192,103
		1,535,560	1,393,160
CURRENT LIABILITIES			
Trade payables	*15*	**16,525**	19,931
Receipts in advance, accrued charges and other payables		**253,734**	154,680
Amounts due to related parties	*12(b)*	**9,691**	1,085
Amounts due to non-controlling interests	*12(b)*	**2,103**	1,578
Provision for taxation		**3,995**	3,768
Borrowings	*16*	**365,953**	396,377
		652,001	577,419
NET CURRENT ASSETS		**883,559**	815,741
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,895,888**	1,788,915

	Notes	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Other payables		**33**	258
Deferred tax liabilities		**693**	830
		726	1,088
NET ASSETS		**1,895,162**	1,787,827
EQUITY			
Share capital		**8,282**	8,282
Reserves		**1,872,002**	1,765,712
Equity attributable to owners of the Company		**1,880,284**	1,773,994
Non-controlling interests		**14,878**	13,833
TOTAL EQUITY		**1,895,162**	1,787,827

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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 interim condensed consolidated financial statements have 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 condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's annual financial statements for the year ended 31 March 2017 (the "2017 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 interim condensed consolidated financial statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the 2017 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 interim condensed consolidated financial statements for the current accounting period:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014-2016 Cycle	Disclosure of Interests in Other Entities

The adoption of these new and revised HKFRSs did not change the Group's accounting policies as followed in the preparation of the 2017 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 2017

	Automobiles *HK$'000* **(Unaudited)**	**Branded watches and jewelleries** *HK$'000* **(Unaudited)**	**Others** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
Revenue from external customers	**1,284,648**	**54,379**	**89,533**	**1,428,560**
Other income and net gains	**29,270**	**806**	**759**	**30,835**
Reportable segment revenue	**1,313,918**	**55,185**	**90,292**	**1,459,395**
Reportable segment results	**49,103**	**(3,475)**	**7,901**	**53,529**

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

Segment assets and liabilities

As at 30 September 2017

	Automobiles ***HK$'000*** **(Unaudited)**	**Branded watches and jewelleries** ***HK$'000*** **(Unaudited)**	**Others** ***HK$'000*** **(Unaudited)**	**Total** ***HK$'000*** **(Unaudited)**
Reportable segment assets	**1,158,397**	**256,901**	**229,640**	**1,644,938**
Investment in an associate				**698,467**
Deposits, prepayments and other receivables				**6,881**
Loans receivables				**181,960**
Corporate assets:				
– financial assets				**10,455**
– non-financial assets				**5,188**
Consolidated total assets				**2,547,889**
Reportable segment liabilities	**232,391**	**10,222**	**32,075**	**274,688**
Borrowings				**365,953**
Corporate liabilities:				
– financial liabilities				**3,690**
– non-financial liabilities				**8,396**
Consolidated total liabilities				**652,727**

As at 31 March 2017

	Automobiles HK$'000 (Audited)	Branded watches and jewelleries HK$'000 (Audited)	Others HK$'000 (Audited)	Total HK$'000 (Audited)
Reportable segment assets	1,190,756	277,026	190,346	1,658,128
Investment in an associate				660,075
Deposits, prepayments and other receivables				2,966
Corporate assets:				
– financial assets				41,368
– non-financial assets				3,797
Consolidated total assets				2,366,434
Reportable segment liabilities	125,505	8,779	38,112	172,396
Borrowings				396,377
Corporate liabilities:				
– financial liabilities				5,136
– non-financial liabilities				4,598
Consolidated total liabilities				578,507

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

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment results	**53,529**	59,388
Bank interest income	**664**	260
Unallocated corporate income	**2,343**	2,321
Unallocated corporate expenses	**(18,951)**	(18,551)
Share of loss of an associate	**(23,370)**	–
Finance costs	**(8,186)**	(7,969)
Profit before income tax	**6,029**	35,449

Unallocated corporate income mainly comprised gain on disposals of property, plant and equipment, income from exhibitions and other services and miscellaneous income. Unallocated corporate expenses mainly comprised employee benefit expenses (including directors' emoluments), operating lease expenses, auditor's remuneration and other centralised administrative costs 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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**664**	260
Bonuses from suppliers	**981**	9,081
Compensation income	**1,628**	–
Gain on disposals of property, plant and equipment	**69**	2,195
Income from exhibitions and other services	**1,227**	1,286
Income from insurance brokerage	**24,106**	23,811
Management fee income	**931**	778
Others	**4,236**	934
	33,842	38,345

6. OPERATING PROFIT

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

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of other intangible asset[#]	**39**	39
Cost of inventories recognised as expense, including	**1,164,529**	1,221,542
– Write-down of inventories	**–**	1,047
Provision for litigation losses^	**14,952**	–
Depreciation of property, plant and equipment*	**10,878**	12,033
Exchange differences, net	**(766)**	1,305
Gain on disposals of property, plant and equipment	**(69)**	(2,195)
Operating lease payments in respect of rented premises	**42,114**	47,029
Employee costs, including directors' emoluments	**19,820**	18,813
Defined retirement benefit scheme contributions for employees	**4,775**	4,683
Employee benefit expenses	**24,595**	23,496

Included in administrative expenses.

^ Included in other expenses.

* Depreciation of approximately HK$10,062,000 and HK$816,000 (six months ended 30 September 2016: HK$10,822,000 and HK$1,211,000) have been included in selling and distribution costs and administrative expenses, respectively.

7. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and overdraft	**6,194**	6,955
Interest on other loans	**1,992**	1,014
	8,186	7,969

8. INCOME TAX EXPENSE

Hong Kong Profits Tax is provided at the rate of 16.5% (six months ended 30 September 2016: 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.

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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong		
Under-provision in prior years	**–**	405
– Other jurisdictions:		
Charge for the period	**18**	49
Under-provision in prior years	**794**	928
Total current tax	**812**	1,382
Deferred tax	**(137)**	–
Total income tax expense	**675**	1,382

9. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2017 and 2016, nor has any dividend been proposed since the end of reporting period.

10. EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$4,969,000 (six months ended 30 September 2016: HK$34,214,000) and on the weighted average of 4,141,237,447 (six months ended 30 September 2016: 2,979,828,850) ordinary shares in issue during the period.

(b) Diluted

The diluted earnings per share for the six months ended 30 September 2017 and 2016 are the same as basic earnings per share as there were no dilutive potential ordinary shares in existence during the periods.

11. INVESTMENT IN AN ASSOCIATE

Particulars of the associate are as follows:

Name	Place/country of incorporation and kind of legal entity	Issued and paid-up capital	Percentage of effective interest held by the Company	Principal activities
Bang & Olufsen A/S ("B&O")	Denmark, limited liability company	Danish Krone 431,974,780	15.09%*	Design, manufacture, marketing and sale of branded audio and visual consumer electronics products

* The Group completed its acquisition of approximately 15.09% shareholding in B&O on 16 December 2016. With the Group's presence on the board of directors of B&O and participation in the financial and operating policies decisions of B&O, the directors of the Company consider that the Group could exercise significant influence over B&O and accordingly the investment is accounted for as an associate.

B&O is a listed entity in Denmark and the fair value of the Group's interest in B&O is approximately HK$1,112,524,000 as at 30 September 2017 (31 March 2017: HK$704,612,000).

B&O's most recently available and published financial information were drawn up to 31 August 2017. In applying the equity method to prepare the interim condensed consolidated financial statements, the Group has used the financial information of B&O for the six months ended 31 August 2017 as contained in B&O's published interim reports dated 12 July 2017 and 4 October 2017 ("B&O interim financial information"). As noted in these interim reports, B&O's interim financial information was prepared in accordance with International Accounting Standard 34 ("IAS 34") Interim Financial Reporting as endorsed by the European Union ("EU"). In the application of the equity method, the Company's management has assessed whether there should be adjustments for differences in accounting policies as adopted by the Company and B&O, and for any significant events or transactions of B&O in March 2017 as included in B&O's interim financial information and in September 2017 which is not reflected in B&O's interim financial information. As such, the Group has taken advantage of the provision contained in HKAS 28 *Investments in Associates and Joint Ventures* whereby it is permitted to include the attributable share of associates' results based on accounts drawn up to a non-coterminous period end where the difference must be no greater than three months.

12. BALANCES WITH RELATED PARTIES/NON-CONTROLLING INTERESTS

(a) Rental deposits paid to a related party

The Group entered into several agreements with Mr. Qi Jian Hong ("Mr. Qi"), a controlling 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$15,812,000 (31 March 2017: HK$15,101,000) have been recognised as non-current assets as at 30 September 2017.

(b) Balances with related parties and non-controlling interests

	Notes	**30 September 2017** ***HK$'000*** **(Unaudited)**	31 March 2017 *HK$'000* (Audited)
Mr. Qi	*(i)*	**15,812**	15,101
北京耀萊金榜酒業有限公司 ("BJSRGB")	*(ii)*	**–**	521
Total amounts due from related parties		**15,812**	15,622

(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, resulting from provision of management services, are unsecured, interest-free and repayable on demand. BJSRGB is controlled by Mr. Qi.

Except as mentioned above, the balances with other related parties and non-controlling interests are unsecured, interest-free and repayable on demand.

13. TRADE RECEIVABLES

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

	30 September 2017 ***HK$'000*** **(Unaudited)**	31 March 2017 *HK$'000* (Audited)
0-30 days	**2,172**	1,161
31-120 days	**1,110**	100
Over 120 days	**59**	5,393
	3,341	6,654

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 three 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.

14. LOANS RECEIVABLES

	Notes	**30 September 2017** *HK$'000* **(Unaudited)**	31 March 2017 *HK$'000* (Audited)
Other loans receivables	*(i)*	**99,607**	–
Loans to third parties facilitated through internet finance platform	*(ii)*	**82,353**	–
		181,960	–

Notes:

(i) The loans are made to independent third parties and are unsecured, bearing interest rate ranging from 2.65% to 7.36% per annum and repayable within one year.

(ii) Amounts represented loans to certain independent third parties which were facilitated through the internet finance platform of independent financial services companies and are unsecured. The principal of these loans (with maturity due within 30 to 90 days) and the related interest (bearing 6.00% or 6.10% per annum) are insured by an independent insurance company based in Mainland China.

15. TRADE PAYABLES

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

	30 September 2017 *HK$'000* **(Unaudited)**	31 March 2017 *HK$'000* (Audited)
0-30 days	**13,208**	13,199
31-60 days	**1,179**	2,739
61-90 days	**537**	2,477
Over 90 days	**1,601**	1,516
	16,525	19,931

16. BORROWINGS

	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited)
Current portion:		
Bank loans, secured and guaranteed	**218,066**	190,263
Bank loans, secured	**104,114**	51,506
Bank loans, guaranteed	**16,122**	3,798
Other loans, secured and guaranteed	**27,651**	150,810
	365,953	396,377
Effective interest rates per annum in the range of:		
– fixed rate borrowings	**5.22%-8.50%**	4.35%-7.50%
– variable rate borrowings	**2.38%-5.25%**	2.27%-2.32%

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

As at 30 September 2017, the Group's inventories of HK$311,676,000 (31 March 2017: HK$335,635,000) and bank deposits of HK$83,482,000 (31 March 2017: HK$72,240,000) 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 2017 and the year ended 31 March 2017.

17. OPERATING LEASE COMMITMENTS

(a) Group as lessor

As at the reporting date, the total future minimum lease receivable under non-cancellable operating lease is as follows:

	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited)
Within one year	**31**	32
In the second to fifth years inclusive	**3**	20
	34	52

The Group sub-leased a rented premise which runs for an initial non-cancellable period of 20 months. The lease does not include contingent rental.

(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 2017 *HK$'000* **(Unaudited)**	31 March 2017 *HK$'000* (Audited)
Within one year	**83,294**	78,718
In the second to fifth years inclusive	**220,537**	216,538
After five years	**38,698**	18,607
	342,529	313,863

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 2017: 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.

EXTRACT OF INDEPENDENT REVIEW REPORT

The Company's independent auditor has expressed a qualified conclusion in its review report on the Group's interim condensed consolidated financial statements for the six months ended 30 September 2017, an extract of which is as follows:

Basis for Qualified Conclusion

As stated in note 12 to the interim condensed consolidated financial statements, the Group has an investment in an associate, Bang & Olufsen A/S ("B&O"), a Denmark listed entity, of HK$698,467,000 as at 30 September 2017. Such investment was accounted for by applying the equity method using the financial information of B&O for the six months ended 31 August 2017 as contained in B&O's published interim reports dated 12 July 2017 and 4 October 2017 ("B&O's interim financial information"), taking into account any differences in accounting policies as adopted by the Company and B&O and any significant events or transactions of B&O in March 2017 as included in B&O's interim financial information and in September 2017 which is not reflected in B&O's interim financial information. The Group's share of loss of B&O as included in the Group's interim condensed consolidated financial statements amounted to HK$23,370,000.

We qualified our audit opinion on the Group's consolidated financial statements for the year ended 31 March 2017 due to a limitation in the scope of our work. Due to certain rules and regulations in Denmark relating to disclosure of inside information, we were denied access to the systems, books and records, management, and the auditors of B&O during the course of our audit. Accordingly, we were unable to obtain sufficient appropriate audit evidence as to whether the carrying amount of the Group's investment in B&O and the Group's share of B&O's results for the year as included in the Group's consolidated financial statements as at and for the year ended 31 March 2017 were appropriately stated. Our audit opinion on the Group's consolidated financial statements for the year ended 31 March 2017 was qualified accordingly. Our review conclusion on the interim condensed consolidated financial statements is also modified because of the possible effect of this matter on the comparability of the interim period's carrying amount as at 30 September 2017 and the corresponding figure. The matter has not been resolved during the course of our review of the Company's interim condensed consolidated financial statements. We were unable to perform appropriate review procedures on the Group's investment in B&O as at 30 September 2017 and the Group's share of B&O's results for the six-month period then ended.

Any adjustments that might have been found to be necessary in respect of the carrying amount of the Group's investment in B&O as at 30 September 2017 would affect the net assets of the Group as at 30 September 2017 and could affect the Group's profit for the six-month period then ended.

Qualified Conclusion

Except for the adjustments to the interim condensed consolidated financial statements that we might have become aware of had it not been for the situation described in the basis for qualified conclusion paragraphs above, based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

PROSPECTS

The gross domestic product (GDP) in China has increased by 6.9% in the first half of 2017 as compared with the same period in 2016, but the growth rate is expected to slow down in the second half of the year, leading to an annual growth of 6.6%. There are indications that China's economy begins to revive, after years of deceleration, though certain potential risks still exist. International Monetary Fund (IMF) raises China's 2017 GDP forecast to 6.8%, 0.1% higher than its previous forecast made in July this year, mentioning the stronger-than-expected outturn in the first half of the year underpinned by previous policy easing and supply-side reforms in China. For 2018, although IMF estimated that the growth of China's GDP will decelerate to 6.5%, it is still 0.1% higher than its previous forecast. IMF explained that it expects the Chinese authorities will "maintain a sufficient expansionary policy mix (especially through high public investment)" to meet their target of doubling its real GDP between 2010 and 2020. IMF's optimistic estimate is consistent with China's own forecast.

As mentioned in the profit warning and update on the audit qualification and litigations announcement issued by the Company on 17 November 2017, based on the preliminary assessment of the unaudited consolidated management accounts of the Group and the financial information currently available, the Group is expected to record a substantial decrease in the net profit for the six months ended 30 September 2017 as compared with a net profit of approximately HK$34.1 million for the corresponding period last year. Such expected substantial decrease in the net profit was mainly as a result of (i) the sharing of the loss of an associate of the Group; and (ii) the making of the provision for possible liquidated damages. Moreover, the management of the Company is still considering viable means to remove the audit qualification in the Company's future annual financial statements.

China's Luxury Goods Market

There are multiple ongoing updates and research reports published from reputable authorities, investment banks and global research houses on "the Rebound in China's Luxury Goods Sales". According to Bain & Company's global luxury study issued on 25 October 2017 titled "Global Personal Luxury Goods Market Returns to Healthy Growth, Reaching a Fresh High of €262 billion in 2017", the overall luxury market encompassing both goods and luxury experience grew by 5% to an estimated €1.2 trillion globally in 2017. Sales of luxury cars continued to drive the market, growing at 6% to reach €489 billion in total. Luxury experience remained very attractive to customers, as illustrated by sales of high-end food and wine both growing by 6% from last year, and sales from luxury cruises experiencing impressive 14% annual growth. The core market for personal luxury goods reached a fresh record high of €262 billion, boosted by a return of Chinese buying both at home and abroad as well as stronger purchasing trends in other regions. Local buying by increasingly fashion-savvy Chinese customers has boosted sales in China by a remarkable 15% in current exchange rates in 2017 to a total market size of €20 billion. Buying abroad has also increased, with the share of global personal luxury purchases by Chinese nationals reaching 32% in 2017. Besides, the growth of the online channel is remarkable, boosted by the 'millennial state of mind' that has permeated the luxury industry. Bain & Company estimates that online sales for personal luxury goods will make up 25% of the market by 2025, with stores still accounting for 75% of the purchases. Bain & Company expects this positive growth to continue at an estimated 4 to 5% annual growth rate in the next 3 years, with the market for personal luxury goods reaching €295-305 billion by 2020.

Bloomberg, a well-known financial news and media company, published an article titled "Luxury Is Back in Vogue in China" on 29 September 2017, mentioning China's luxury goods market is growing steadily again, nearly five years after it was knocked off course by the central government's anti corruption drive. Today, newly affluent consumers unaffected by government curbs are setting the pace. China's rising middle class is so important that it's set to be a main engine for luxury growth globally. Luxury goods companies including Burberry Group Plc and Kering have seen strong results in China this year. Burberry Group Plc reported "mid-teens percentage growth" in retail sales in the April-to-June quarter, with sales boosted by exposure on the WeChat social-media platform. Kering, the owner of Gucci Group, said mainland revenue from its luxury brands jumped almost 50% in the first half compared with the first six months of last year. Sales at its Yves Saint Laurent unit were up nearly 67%. Results are proving so strong that Erwan Rambourg, global co-head of consumer and retail research at HSBC Holdings Plc, says his bank's already bullish forecast of 10% growth for China's luxury market this year, versus 7% globally, could be surpassed.

BUSINESS REVIEW

Automobile Dealerships

During the financial period under review, Lamborghini and Rolls-Royce recorded positive sales results but Bentley experienced a drop in revenue. Rolls-Royce performed the best with the largest sales increment, amounting to approximately HK$547.8 million and representing approximately 27% increase in sales in the financial period under review from approximately HK$432.7 million during the corresponding financial period last year. A total of 97 units of Roll-Royce were sold, representing an increase of approximately 31% as compared with 74 units sold in the corresponding financial period last year.

According to an article issued by the official website of Rolls-Royce titled "Rolls-Royce Motor Cars Announces Second Highest Sales Record in Marque's 113-year History" on 9 January 2017, Rolls-Royce reported its second highest ever annual sales result in the marque's 113-year history, increasing 6% of its 2015 results. A total of 4,011 cars were delivered to customers in more than 50 countries, affirming the brand's strength and resilience in a year of challenging market conditions for luxury goods worldwide. Torsten Müller-Ötvös, CEO, said, "This remarkable result emphatically affirms the global appeal of the very finest British luxury goods to the world's most discerning patrons. Rolls-Royce is a true Great British manufacturing success story, one driven by the hard work and ingenuity of the men and women employed at our Centre of Luxury Excellence in Goodwood, West Sussex. We are deeply committed to a long term, sustainable, successful growth strategy and this result, amidst a backdrop of global uncertainty, affirms this approach. 2016 has proven the perfect year to sign off the successful first chapter of the renaissance of Rolls-Royce."

Lamborghini recorded an increase in sales during the financial period under review with a total of approximately HK$94.8 million, representing an increase of approximately 6% as compared with that of approximately HK$89.6 million recorded in the corresponding financial period last year. At the same time, a total of 22 units of Lamborghini were sold, same as the corresponding financial period last year.

Bentley recorded approximately 22% decrease in unit sales to 149 units sold during the financial period under review, as compared with 191 units sold in the corresponding financial period last year. The brand recorded a drop in sales during this financial period with a total of approximately HK$596.2 million, representing a decrease of approximately 10% as compared with that of approximately HK$661 million recorded in the corresponding financial period last year.

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

Revenue from after-sales services during the financial period under review has also decreased. It reached approximately HK$45.8 million, amounting to a drop of approximately 29.8% as compared with the revenue recorded in the corresponding financial period last year. Regarding the gross profit margin, we saw a decrease from approximately 46.2% in the corresponding financial period last year to approximately 40.8% in the current financial period. Such decrease in gross profit margin was due to the keen competition between service providers and less extreme weather 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. The revenue decreased by approximate 22.1% to approximately HK$49.7 million, as compared with approximately HK$63.8 million in the previous financial period.

Sales of top-tier branded jewellery division decreased in terms of quantity and sales amount, recording a sales revenue of approximately HK$4.7 million as compared with approximately HK$13.13 million in the previous financial period.

125 pieces of watches and objects of time including Richard Mille, Parmigiani, DeWitt, DelaCour and Buben & Zorweg were sold in this financial period as compared with 112 pieces sold in the previous financial period.

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

Gross profit margin of watch division declined during the current financial period, from approximately 14.9% in the previous financial period to approximately 12.9% in the current financial period while gross profit margin of jewellery division increased from approximately 37.4% to approximately 39.5% as compared with the previous financial period.

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

Others

During the current financial period, the sales performance of our other divisions performed satisfactorily with revenue recorded an increase of approximately 103.9% to approximately HK$89.5 million, as compared with approximately HK$43.9 million in the corresponding financial period last year.

Gross profit margin of others division increased from 35.3% in the previous financial period to 44.2% in the current financial period.

Among all brands under this division including fine wine, audio equipment, menswear apparel and accessories and cigars and smoker's accessories, B&O PLAY performed the best in terms of revenue contribution.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 September 2017 was approximately HK$1,428.6 million, representing an increase of approximately 4.3% as compared with that of approximately HK$1,369.4 million recorded in the same financial period last year. Such increase was mainly due to the increase in sales of Rolls-Royce, audio products and menswear apparel products. The table below sets out the Group's revenue for the period indicated:

	Six months ended 30 September				**Changes**	
	2017		2016			
		Contribution		Contribution		
Revenue Source	***HK$'000***	***(%)***	*HK$'000*	*(%)*	*HK$'000*	*%*
Automobile segment						
Sales of automobiles	1,238,822	86.7%	1,183,254	86.4%	55,568	4.7%
Provision of after-sales services	45,826	3.2%	65,267	4.8%	(19,441)	(29.8%)
Sub-total	1,284,648	89.9%	1,248,521	91.2%	36,127	2.9%
Branded watch and jewellery segments	54,379	3.8%	76,933	5.6%	(22,554)	(29.3%)
Other segments	89,533	6.3%	43,905	3.2%	45,628	103.9%
Total	**1,428,560**	**100%**	**1,369,359**	**100%**	**59,201**	**4.3%**

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 September 2017 increased by approximately 15.0% to approximately HK$169.9 million (30 September 2016: HK$147.8 million) while the gross profit margin of the Group for the six months ended 30 September 2017 increased from 10.8% to 11.9%.

Such increase in the gross profit was mainly due to the increase in gross profit from sales of automobiles resulted from the substantial increase in incentive bonuses offered by automobile suppliers in this financial period which were deducted from the cost of sales. The gross profit of the automobiles segment increased from approximately HK$87.8 million for the six months ended 30 September 2016 to approximately HK$103.3 million for the six months ended 30 September 2017.

However, the gross profit of the provision of after-sales services for the six months ended 30 September 2017 decreased by approximately 37.9% to approximately HK$18.7 million (30 September 2016: HK$30.1 million). The decrease was mainly due to the reduction in the average after-sales service fee resulting from the keen competition.

Other Income and Net Gains

Other income and net gains decreased from approximately HK$38.3 million for the six months ended 30 September 2016 to approximately HK$33.8 million for the six months ended 30 September 2017. Such decrease was mainly due to a decline in marketing bonuses from suppliers.

Selling and Administrative Expenses

The selling and distribution costs increased by approximately 9.8% while the administrative expenses decreased by approximately 8.3% respectively. The changes were mainly due to the increase in marketing expenses and the additional consumption levy but the increment was covered partially by the decrease in rental expenses of the Group.

Other Expenses

The Group recorded other expenses of approximately HK$15.0 million mainly arising from the provision made for the possible liquidated damages for the litigations for the six months ended 30 September 2017 (30 September 2016: nil).

Finance Costs

The finance costs of the Group slightly increased by approximately 2.5% from approximately HK$8.0 million for the six months ended 30 September 2016 to approximately HK$8.2 million for the six months ended 30 September 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 September 2017 were approximately HK$2,547.9 million (31 March 2017: HK$2,366.3 million) which were supported by the owners' equity and total liabilities of approximately HK$1,880.3 million (31 March 2017: HK$1,773.9 million) and HK$652.7 million (31 March 2017: HK$578.5 million) respectively.

Cash Flow

The Group's bank balances and cash in hand as at 30 September 2017 were approximately HK$100.8 million (31 March 2017: HK$198.3 million) which were mainly denominated in Hong Kong dollars ("**HK$**") 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 loans receivables including the investment of subscribing P2P financing portfolios during the financial 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 2017 were approximately HK$366.0 million, representing a decrease of approximately 7.7% from approximately HK$396.4 million as at 31 March 2017. The Group's borrowings were mainly denominated in RMB. The decrease was mainly due to substantial repayment of borrowings during the financial period under review.

Gearing Ratio

The Group's gearing ratio computed as total borrowings over the total equity decreased to approximately 19.3% as at 30 September 2017 (31 March 2017: 22.2%).

Inventories

As at 30 September 2017, the Group's inventories increased by approximately 5.9% from approximately HK$923.6 million as at 31 March 2017 to approximately HK$977.7 million. Such increase was primarily due to the increase in automobile inventories which comprised approximately 61.7% of the inventories of the Group.

The Group's average inventory turnover days slightly decreased from 140 days for the six months ended 30 September 2016 to 138 days for the six months ended 30 September 2017.

Exposure to Foreign Exchange Risks

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**"), Swiss Franc ("**CHF**") and United States Dollar ("**USD**").

The Group did not enter into any foreign currency forward contract for the financial period under review. As at 30 September 2017, the Group did not have any unrealised gain or loss in respect of the foreign currency forward contracts (30 September 2016: nil).

Contingent Liabilities and Capital Commitment

The Group did not have any significant capital commitment as at 30 September 2017 (31 March 2017: nil) in respect of acquisition of property, plant and equipment. The Board considered that other than the possible obligations arising from the litigations as mentioned in the section headed "Litigations Updates" below, the Group had no material contingent liabilities as at 30 September 2017.

Charges on Assets

As at 30 September 2017, pledged deposits and inventories of the Group with aggregate carrying amounts of approximately HK$83.5 million (31 March 2017: HK$72.2 million) and HK$311.7 million (31 March 2017: HK$335.6 million) respectively were pledged to secure general banking facilities granted to the Group. In addition, inventories of approximately HK$17.0 million (31 March 2017: nil) and bank balances of approximately HK$4.1 million (31 March 2017: nil) are subject to certain freeze orders (relating to the third litigation as mentioned in the section headed "Litigations Updates" below) by a court in China.

Human Resources

As at 30 September 2017, the Group had 487 employees (31 March 2017: 493). Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$24.6 million for the six months ended 30 September 2017 (30 September 2016: HK$23.5 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.

LITIGATIONS UPDATES

References were made to the Company's announcement dated 3 October 2017 in relation to the first litigation against Tianjin Xin Chang Tai Fu Trading Development Limited* (天津信昌泰富貿易發展有限公司) ("**TJXC**") (the "**First Litigation**") and 12 October 2017 in relation to the second and third litigations against TJXC (the "**Second and Third Litigations**").

An appeal hearing and an adjourned appeal hearing on the first Litigation were held on 2 November 2017 and 9 November 2017, respectively. The Group had provided new evidence in relation to the First Litigation to the First Intermediate People's Court of Tianjin City* (天津市第一中級人民法院). As at the date of this announcement, the adjourned appeal hearing is still in progress. As regards to TJXC's appeal against the judgment on the Second and Third Litigations, the appeal hearing have not commenced. Based on the legal opinion obtained from the Group's PRC legal adviser, the Group has been advised to make a provision of approximately HK$14.5 million in aggregate for the possible liquidated damages for the First, Second and Third litigations. The Group recorded such provision in other expenses during the six month ended 30 September 2017.

The Group will make further announcement(s) to inform its Shareholders and potential investors of development of the three cases as and when appropriate.

PLACING

On 24 October 2017, the Company entered into a Placing Agreement under which the Company agreed to place up to a total of 800,000,000 shares to independent third parties on a best effort basis, through a Placing Agent, at a price of HK$0.5681 per share under general mandate. The Placing of all 800,000,000 Placing Shares was completed on 13 November 2017 and raised net proceeds of approximately HK$440.7 million which are intended to be used for repayment of borrowings, expansion of the audio business of the Group and as general working capital purposes.

OUTLOOK

The luxury car market in China was not impeded despite the crack down of conspicuous consumption over the past few years by the central government. China is expected to become the largest luxury car market in the next two years. Automobile dealerships are principal businesses of the Group. The Board remains cautiously optimistic towards our automobile division. One of our automobile brands, Lamborghini will launch its newly released SUV, Urus in the second half of the year. The Group is confident that such new model of ultra-luxury automobiles will be able to stimulate sales of our automobile segment.

Looking ahead, notwithstanding the challenging environment of the luxury goods markets in China, the Group will remain cautiously optimistic and committed to continue our leading roles as a luxury goods manager. In view of the satisfactory performance of the B&O PLAY dealership business in China, audio equipment business will be one of the focuses to the Group in the upcoming financial years.

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, 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 2017 (six months ended 30 September 2016: nil) as the Group would like to reserve more capital to capture opportunities and meet the challenges ahead.

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 financial period under review.

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 2017.

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 2017, 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 2017.

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 condensed consolidated financial statements for the six months ended 30 September 2017.

The Company's auditor, BDO Limited has reviewed the interim condensed consolidated financial statements 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.

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, 30 November 2017

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.