Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2014

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 (the "Group") for the six months ended 30 September 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

		Six months ended 30 September	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
			(Re-presented)
Revenue		**1,624,616**	1,526,346
Cost of sales		**(1,529,146)**	(1,431,881)
Gross profit		**95,470**	94,465
Other income	*6*	**113,759**	51,552
Selling and distribution costs		**(147,819)**	(109,730)
Administrative expenses		**(40,002)**	(39,774)
Other operating expenses		**(3,055)**	–

* *for identification purpose only*

		Six months ended 30 September	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
			(Re-presented)
Operating profit/(loss)	*7*	**18,353**	(3,487)
Finance costs	*8*	**(16,387)**	(15,359)
Profit/(loss) before income tax		**1,966**	(18,846)
Income tax expense	*9*	**(101)**	(187)
Profit/(loss) for the period		**1,865**	(19,033)
Other comprehensive income, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange gains on translation of financial statements of foreign operations		**2,189**	14,498
Total comprehensive income for the period		**4,054**	(4,535)
Profit/(loss) for the period attributable to:			
Owners of the Company		**3,486**	(18,718)
Non-controlling interests		**(1,621)**	(315)
		1,865	(19,033)
Total comprehensive income attributable to:			
Owners of the Company		**5,675**	(4,220)
Non-controlling interests		**(1,621)**	(315)
		4,054	(4,535)
Earnings/(loss) per share attributable to owners of the Company during the period	*11*		
Basic earnings/(loss) per share (HK cents)		**0.12**	(0.63)
Diluted earnings/(loss) per share (HK cents)		**0.12**	(0.63)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**206,219**	209,813
Goodwill		**580,679**	580,679
Other intangible assets		**21,784**	23,215
Rental deposits paid to a related party	*12*	**18,181**	18,181
		826,863	831,888
Current assets			
Inventories		**1,001,649**	942,075
Trade receivables	*13*	**8,995**	5,054
Deposits, prepayments and other receivables		**226,647**	207,683
Amounts due from related parties	*12*	**19,376**	18,325
Financial assets at fair value through profit or loss	*14*	**–**	549
Pledged deposits		**116,680**	87,803
Cash at banks and in hand		**146,615**	340,235
		1,519,962	1,601,724
Current liabilities			
Trade and bills payables	*16*	**82,651**	28,338
Receipts in advance, accrued charges and other payables		**117,629**	127,863
Derivative financial instruments	*15*	**3,055**	–
Provision for taxation		**4,629**	4,887
Borrowings	*17*	**541,845**	679,496
		749,809	840,584
Net current assets		**770,153**	761,140
Total assets less current liabilities		**1,597,016**	1,593,028

	Notes	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
Non-current liabilities			
Other payables		**414**	340
Deferred tax liabilities		**1,099**	1,239
		1,513	1,579
Net assets		**1,595,503**	1,591,449
EQUITY			
Share capital		**5,959**	5,959
Reserves		**1,573,287**	1,567,612
Equity attributable to owners of the Company		**1,579,246**	1,573,571
Non-controlling interests		**16,257**	17,878
Total equity		**1,595,503**	1,591,449

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2014

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

The interim financial results 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 financial results have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2014, except for the adoption of the new or amended Hong Kong Financial Reporting Standards (which include individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 3 to the interim financial results.

The interim financial results do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2014 (the "2014 Annual Financial Statements").

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new or amended HKFRSs issued by the HKICPA which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2014:

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) Int 21	Levies

The adoption of these new and revised HKFRSs did not change the Group's accounting policies as followed in the preparation of the 2014 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. RE-PRESENTATION OF PREVIOUSLY REPORTED INFORMATION

Cost of sales and other income

During the period, the directors of the Company have reviewed the nature of the Group's bonuses from suppliers and have decided to change its classification of certain types of such bonuses from other income to cost of sales. Management considers that such reclassification provides reliable and more relevant information because it results in more consistency with local industry practice.

For consistency, the cost of sales and other income for the six months ended 30 September 2013 have been re-presented and the impact is set out below:

	As previously reported	**Reclassification**	**As re-presented**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Cost of sales	1,435,289	(3,408)	1,431,881
Other income	54,960	(3,408)	51,552

The reclassification has no financial impact to the consolidated statement of financial position, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity.

5. SEGMENT INFORMATION

The executive directors have identified the following reportable operating segments:

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

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

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

Fine wines – Distribute certain brands of fine wines; and

Audio equipment – Distribute audio equipment.

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

Segment revenue and results

For the six months ended 30 September 2014

	Automobiles and related parts and accessories and provision of after-sale services *HK$'000* (Unaudited)	Branded watches *HK$'000* (Unaudited)	Branded jewelleries *HK$'000* (Unaudited)	Fine wines *HK$'000* (Unaudited)	Audio equipment *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue from external customers	1,538,821	53,205	18,112	2,678	11,800	1,624,616
Other income	97,916	4,808	1,745	6,378	–	110,847
Reportable segment revenue	1,636,737	58,013	19,857	9,056	11,800	1,735,463
Reportable segment results	61,736	(9,288)	(6,078)	(8,505)	(2,902)	34,963

For the six months ended 30 September 2013

	Automobiles and related parts and accessories and provision of after-sale services	Branded watches	Branded jewelleries	Fine wines	Audio equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Re-presented)					(Re-presented)
Revenue from external customers	1,464,354	34,211	18,467	3,625	5,689	1,526,346
Other income	22,780	11,600	1,807	6,122	–	42,309
Reportable segment revenue	1,487,134	45,811	20,274	9,747	5,689	1,568,655
Reportable segment results	20,128	(5,185)	(4,185)	(7,940)	(648)	2,170

Segment assets and liabilities

As at 30 September 2014

	Automobiles and related parts and accessories and provision of after-sale services	**Branded watches**	**Branded jewelleries**	**Fine wines**	**Audio equipment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Reportable segment assets	**1,687,882**	**278,134**	**156,870**	**101,346**	**58,864**	**2,283,096**
Corporate assets:						
– financial assets						**54,349**
– non-financial assets						**9,380**
Consolidated total assets						**2,346,825**
Reportable segment liabilities	**178,783**	**16,701**	**4,416**	**233**	**9,157**	**209,290**
Corporate liabilities:						
– financial liabilities						**536,303**
– non-financial liabilities						**5,729**
Consolidated total liabilities						**751,322**

As at 31 March 2014

	Automobiles and related parts and accessories and provision of after-sale services *HK$'000* (Audited)	Branded watches *HK$'000* (Audited)	Branded jewelleries *HK$'000* (Audited)	Fine wines *HK$'000* (Audited)	Audio equipment *HK$'000* (Audited)	Total *HK$'000* (Audited)
Reportable segment assets	1,715,107	311,863	172,816	146,287	60,813	2,406,886
Corporate assets:						
– financial assets						17,798
– non-financial assets						8,928
Consolidated total assets						2,433,612
Reportable segment liabilities	129,223	17,193	2,069	389	6,222	155,096
Corporate liabilities:						
– financial liabilities						680,941
– non-financial liabilities						6,126
Consolidated total liabilities						842,163

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

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment results	**34,963**	2,170
Bank interest income	**553**	716
Fair value (losses)/gains on derivative financial instruments	**(3,055)**	161
Unallocated corporate income	**2,359**	8,366
Unallocated corporate expenses	**(16,467)**	(14,900)
Finance costs	**(16,387)**	(15,359)
Profit/(loss) before income tax	**1,966**	(18,846)

6. OTHER INCOME

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Re-presented)
Bank interest income	**553**	716
Bonuses from suppliers	**24,537**	14,329
Exchange gain, net	**508**	162
Fair value gains on derivative financial instruments	**–**	161
Fair value gains on financial assets at fair value through profit or loss *(note 14)*	**5**	5
Gain on disposals of property, plant and equipment	**38**	936
Imputed interest revenue on trade and other receivables	**–**	1,856
Income from exhibition and other services income	**3,456**	8,920
Income from insurance brokerage	**21,168**	10,012
Income from training services*	**51,300**	–
Sub-lease income	**10,603**	8,693
Others	**1,591**	5,762
	113,759	51,552

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

7. OPERATING PROFIT/(LOSS)

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Operating profit/(loss) is arrived at after charging/(crediting):		
Amortisation of other intangible assets[#]	**1,431**	1,734
Depreciation of property, plant and equipment*	**22,398**	20,159
Exchange differences, net	**(508)**	(162)
Fair value losses/(gains) on derivative financial instruments[^]	**3,055**	(161)
Gain on disposals of property, plant and equipment	**(38)**	(936)
Operating lease payments in respect of rented premises	**61,271**	54,752
Defined contribution retirement benefits scheme contributions for employees	**3,862**	3,990
Staff costs, including directors' emoluments	**17,171**	15,960
Total staff costs	**21,033**	19,950

Amortisation of other intangible assets of approximately HK$1,431,000 (six months ended 30 September 2013: HK$1,734,000) has been included in administrative expenses.

* *Depreciation of approximately HK$18,518,000 and HK$3,880,000 (six months ended 30 September 2013: HK$14,887,000 and HK$5,272,000) have been included in selling and distribution costs and administrative expenses respectively.*

^ *The amount has been included in other operating expenses (six months ended 30 September 2013: other income).*

8. FINANCE COSTS

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on financial liabilities stated at amortised cost:		
– Borrowings wholly repayable within five years	**16,387**	15,359

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2013: 16.5%) on estimated assessable profit for the period. Taxation on profits derived outside Hong Kong has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

Income tax of certain subsidiaries of the Company in Mainland China is charged at 25% (six months ended 30 September 2013: 25%) on estimate assessable profit in accordance with relevant tax regulations in Mainland China.

Income tax of certain subsidiaries of the Company in Malaysia is charged at 3% on the assessable profit for the year or a fixed amount of Malaysian Ringgit 20,000, whichever is lower.

	Six months ended 30 September	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong:		
– Tax for the period	**–**	56
Other jurisdictions:		
– Tax for the period	**58**	379
– Under-provision in prior year	**183**	–
	241	435
Deferred tax		
– Tax for the period	**(140)**	(248)
Total income tax expense	**101**	187

10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2014 and 2013, nor has any dividend been proposed since the end of reporting period.

11. 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$3,486,000 (six months ended 30 September 2013: loss of HK$18,718,000) and on the weighted average of 2,979,828,850 (six months ended 30 September 2013: 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 2014 and 2013 are the same as basic earnings/(loss) per share as the potential ordinary shares have no dilutive effect on earnings/(loss) per share.

12. BALANCES WITH RELATED PARTIES

(a) Rental deposits paid to a related party

The Group entered into several agreements with Mr. Qi Jian Hong ("Mr. Qi"), a substantial shareholder of the Company, for leasing of properties as office premises, warehouse and showrooms in Mainland China to the Group. The rental deposits paid to Mr. Qi of approximately HK$18,181,000 (31 March 2014: HK$18,181,000) have been recognised as non-current assets as at 30 September 2014.

(b) Amounts due from related parties

The amounts 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 repayable on demand but the directors of the Company expect such amount would be utilised through setting off of future rental expenses payable to this related party within one year.

The amount due from a related party resulting from provision of management services is 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, and net of impairment losses, is as follows:

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**7,131**	2,835
31 – 60 days	**820**	181
61 – 90 days	**–**	347
Over 90 days	**1,044**	1,691
	8,995	5,054

It is the Group's credit policy that sales to retail customers are mainly on receipts in advance from customers or cash on delivery while sales to wholesale customers are mainly on a credit basis up to 18 months (31 March 2014: up to 18 months).

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year ended 31 March 2013, the Group acquired certain wine futures at an acquisition cost of approximately HK$406,000. These wine futures were classified as financial assets at fair value through profit or loss. As at 31 March 2014, the fair value of these wine futures amounted to approximately HK$549,000.

During the six months ended 30 September 2014, the Group had exercised these wine futures and a gain of approximately HK$5,000 arising from the exercise of wine futures had been recognised in profit or loss for the six months ended 30 September 2014 and included in other income as disclosed in note 6. During the six months ended 30 September 2013, no wine futures were disposed of.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Group used foreign currency forward contracts to mitigate exchange rate exposure of Euros ("EUR") against Hong Kong Dollars ("HK$"). The foreign currency forward contracts were stated at fair value, which had been measured at the closing price at the end of the reporting period. During the period ended 30 September 2014, fair value losses of approximately HK$3,055,000 were debited to "fair value losses on derivative financial instruments" in the other operating expenses.

16. TRADE AND BILLS PAYABLES

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

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**67,662**	11,345
31 – 60 days	**2,696**	4,993
61 – 90 days	**3,213**	1,172
Over 90 days	**9,080**	10,828
	82,651	28,338

As at 30 September 2014, a deposit of the Group (31 March 2014: Nil) was pledged to a bank to secure bills payable granted to the Group.

17. BORROWINGS

	30 September 2014 HK$'000 (Unaudited)	31 March 2014 HK$'000 (Audited)
Current portion:		
Bank loans, guaranteed	**7,886**	197,000
Bank loans, secured	**7,917**	14,138
Other loans, secured	**94,039**	160,082
Bank loans, secured and guaranteed	**387,321**	123,975
Other loans, secured and guaranteed	**35,698**	178,364
Bank overdrafts, secured and guaranteed	**8,984**	5,937
	541,845	679,496

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

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

	30 September 2014 (Unaudited)	31 March 2014 (Audited)
Bank loans, secured and/or guaranteed	**HIBOR +2.5% to HIBOR + 4% per annum, LIBOR +1.8% to LIBOR + 2.5% per annum and 6.16% to 7.8% per annum**	HIBOR +2.5% to HIBOR + 4% per annum, LIBOR +1.8% to LIBOR + 2.5% per annum and 6.16% to 7.8% per annum
Other loans, secured and/or guaranteed	**7.1% to 8.25% per annum**	7.1% to 8.5% per annum
Bank overdrafts, secured and guaranteed	**HIBOR + 3% per annum**	HIBOR + 3% per annum

As at 30 September 2014, certain inventories and deposits of the Group (31 March 2014: certain inventories and deposits of the Group) were pledged to banks to secure general banking facilities granted to the Group.

The borrowings were also subject to corporate guarantees executed by the Company and certain subsidiaries during the six months ended 30 September 2014 and the year ended 31 March 2014.

The carrying values of the borrowings are considered to be a reasonable approximation of fair values.

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

	30 September 2014	31 March 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
EUR	**5,312**	7,574
HK$	**45,106**	84,661
Renminbi ("RMB")	**485,143**	575,272
Swiss Franc ("CHF")	**6,284**	10,737
United States Dollars ("US$")	**–**	1,252
	541,845	679,496

18. OPERATING LEASE COMMITMENTS

(a) Group as lessor

The Group sub-leases out a number of rented premises under operating leases. The leases run for an initial non-cancellable period of 5 years. The rentals on this lease are calculated based on a percentage of the relevant sales of the tenants pursuant to the rental agreement. Contingent rents recognised in profit or loss during the six months ended 30 September 2014 amounted to approximately HK$10,603,000 (six months ended 30 September 2013: HK$8,693,000).

(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 2014 *HK$'000* (Unaudited)	31 March 2014 *HK$'000* (Audited)
Within one year	**107,508**	99,208
In the second to fifth years inclusive	**318,093**	327,495
After five years	**151,802**	206,729
	577,403	633,432

The Group leases a number of office premises, warehouse, showrooms and staff quarters under operating leases. The leases run for an initial period of one to ten years (31 March 2014: one to ten years). None of these leases include contingent rentals.

19. CAPITAL AND OTHER COMMITMENTS

	30 September 2014 *HK$'000* (Unaudited)	31 March 2014 *HK$'000* (Audited)
Contracted but not provided for in respect of acquisition of property, plant and equipment	**316**	204

Save as mentioned above, as at the reporting date, according to certain distributorship agreements for trading of luxury goods, the Group has committed to open nine (31 March 2014: nine) boutiques during the terms of the distributorship period.

BUSINESS AND FINANCIAL REVIEW

The Group recorded a slight profit for the six months ended 30 September 2014 as compared with the six months ended 30 September 2013. In order to keep shareholders and potential investors informed, a positive profit alert announcement was made on 14 November 2014. The slight profit for the Group was mainly due to (i) the substantial increase in other income generated from the automobile segment which comprises of bonuses from suppliers, income from insurance brokerage and income from training services, while the automobile segment achieved a modest increase in revenue but recorded a slight decrease in gross profit margin; but offset by (ii) significant increase in selling and distribution costs of the Group.

Automobile Dealerships

The performance of automobile dealerships was satisfactory during the six months ended 30 September 2014. During this six-month period, numbers of automobiles sold were 215 units of Bentley, 8 units of Lamborghini and 97 units of Rolls-Royce compared with 146 units of Bentley, 31 units of Lamborghini and 100 units of Rolls-Royce respectively in the same period last year.

Revenue of automobiles sales increased slightly to approximately HK$1,464 million compared with HK$1,409 million in the same period last year. The gross profit margin decreased slightly to 3.0% from 3.2% (re-presented) in the same period last year. Revenue derived from after-sale services to automobiles increased to approximately HK$74.8 million from HK$55.6 million in the same period last year. Out of the total revenue of HK$74.8 million from after-sale services, HK$66.6 million (interim 2013: HK$51.5 million) came from Beijing service centre while HK$8.2 million (interim 2013: HK$4.1 million) came from Tianjin service centre. The gross profit margin of after-sale service decreased to 37.3% from 53.9% in the same period last year. The decline in gross profit margin was due to one-off gifts to our customers as a promotion campaign in this financial period and is therefore temporary in nature.

Watch Dealerships

During this six-month period, 45 pieces of Richard Mille watches, 10 pieces of DeWitt watches, 70 pieces of Parmigiani watches and 6 pieces of deLaCour watches were sold (interim 2013: 31 Richard Mille, 17 DeWitt, 84 Parmigiani and 1 deLaCour). The reportable segment revenue for watch dealerships was approximately HK$53.2 million compared with HK$34.2 million in the same period last year. The overall gross profit margin of watches segment decreased from 30.2% to 28.6%.

Jewellery Distributorships and Fine Wines Dealerships

During the current period, reportable segment revenue for jewellery distribution and fine wines dealerships were approximately HK$18.1 million and HK$2.7 million respectively compared with HK$18.5 million and HK$3.6 million in the same period last year. The overall gross profit margin of jewellery segment dropped from 28.8% to 24.3% due to sales promotion. During the six-month period, sales of both top fine wines and private label wine, Ex-Chateaux recorded a decrease. The overall gross profit margin for fine wines dealerships decreased to 50.1% compared with 53.4% in the same period last year.

Audio Equipment

During the current period, reportable segment revenue for audio equipment was approximately HK$11.8 million (interim 2013: HK$5.7 million) while gross profit margin was approximately 24.9% compared with 28.5% in the same period last year.

Numbers and Remuneration of Employees

As at 30 September 2014, the Group had 480 employees (31 March 2014: 488). Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$21 million for the six months ended 30 September 2014 (interim 2013: HK$20 million). All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus.

Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed at a general meeting of the Company held on 20 August 2012.

The Company operates the scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's business. Eligible participants of the Scheme include any director (including executive, non-executive and independent non-executive director), any employee, or any consultant, advisor, customer and business associates.

There was no outstanding share to be issued under the Scheme as at 30 September 2014 (at 31 March 2014: 4,560,000 shares).

Liquidity and Financial Resources

The Group's total assets as at 30 September 2014 were approximately HK$2,346.8 million (31 March 2014: HK$2,433.6 million) which were supported by the owners' equity and total liabilities of approximately HK$1,579.2 million (31 March 2014: HK$1,573.6 million) and HK$751.3 million (31 March 2014: HK$842.2 million) respectively.

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

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

The Group entered into foreign currency forward contracts primarily for hedging its purchases that were mainly denominated in EUR. At 30 September 2014, the Group recognized foreign currency forward contracts with a fair value of approximately HK$3.1 million liabilities (2013: Nil).

Capital Structure

The Group's gearing ratio computed as total borrowings over the owners' equity decreased to 34% as at 30 September 2014 (31 March 2014: 43%).

Exposure to Foreign Exchange

The revenue of the Group is mainly denominated in Hong Kong dollars and Renminbi while the production cost and purchases are mainly denominated in EUR, CHF, HK$, and RMB.

For this period, the Group is mainly exposed to foreign currency exchange risk of EUR and CHF and the management mainly monitored the foreign currency exchange risk with advices from the Group's major bankers.

Contingent Liabilities and Capital Commitment

The Group had capital commitment of approximately HK$0.3 million as at 30 September 2014 (31 March 2014: HK$0.2 million) in respect of acquisition of property, plant and equipment. The Board considered that the Group had no material contingent liabilities as at 30 September 2014.

Charges on Assets

As at 30 September 2014, pledged deposits and inventories of the Group with aggregate carrying amounts of approximately HK$116.7 million (31 March 2014: HK$87.8 million) and HK$414.0 million (31 March 2014: HK$380.6 million) respectively were pledged to secure general banking facilities granted to the Group.

PROSPECTS

As the US is picking up moderately while Eurozone activity has slowed down, global growth is in a sustainable manner. With the moderate performance of China, China's economy is still in good shape. GDP in China expanded by 7.3% in the third quarter of 2014 over the same quarter of the previous year, falling to a five-year low. The slowdown was driven by lower property investment, dwindling credit growth and weakening industrial production. The World Bank has cut China's growth forecast for the next three years and projected GDP growth would be adjusted downwards in 2014 to 7.4% from the previous estimate of 7.6%. Chinese officials have said the government would tolerate growth slightly lower than the targeted 7.5% for 2014.

Due to the Chinese government's crackdown on gift-giving and the economic weaknesses in Europe, the luxury goods industry has been experiencing a slowdown since 2013 with flagging demand in China.

However, the performance of the Group's luxury dealerships businesses was not that much affected. We issued a "positive profit alert" dated 14 November 2014 to keep our shareholders and potential investors informed of a slight unaudited profit expected for the six-month period ended 30 September 2014. The above-mentioned profit alert announcement was only based on the preliminary review of the unaudited consolidated management accounts of the Group, which had not been reviewed by the Group's auditors.

During this financial period, the Group's revenue increased by 6.5%, reaching HK$1.625 billion, compared with HK$1.526 billion in the previous financial period. Gross profit for this financial period increased by 1.1%, reaching HK$95.5 million, compared with HK$94.5 million (re-presented) in the previous financial period. Net profit for this financial period stood at HK$1.9 million, compared with net loss of HK$19.0 million in the previous financial period while profit for this financial period attributable to owners of the Company stood at HK$3.5 million compared with loss attributable to owners of the Company of HK$18.7 million in the previous financial period.

China's Luxury Goods Market

There are ongoing updates and research reports from reputable authorities, investment banks and global research houses on "the Weaker Growth/Flat Sales of China's Luxury Market". Bain & Company, a leading global business consulting firm, issued a report in Reuters, "Bain & Company's most recent Fall 2014 Global Luxury Goods study" dated 14 October 2014. It predicts total revenue from the personal luxury goods industry – which includes watches, jewellery, clothes, shoes and leather goods – would reach 223 billion euros in 2014 against 218 billion in 2013, representing 2% increase in revenue. Bain expects 2015 growth to be similar to 2014. Additionally, the luxury goods market has entered a weaker growth cycle but it will be more sustainable in the long run. Bain also notes for the first time this year that luxury spending remained flat in Mainland China at current exchange rates with sales up only 1% at constant exchange rates. Sales growth in Greater China, including Hong Kong, Taiwan and Macau was 2% this year, against 7% in the previous year.

The worldwide financial news group The Economist Intelligence Unit issued a report titled "Chinese Luxury from Plain Sailing to Choppy Waters" in July 2014. The firm remains positive about the industry's growth prospects, especially because China's appetite for luxury remains strong. Chinese private consumption and personal disposable income in nominal terms are forecast to grow more than fivefold by 2030, reaching around US$16,000 and US$18,000, respectively. While this will only be around one-quarter of comparable indicators in the US, China's vast population will significantly increase the potentials of the luxury market. Another finding is that the number of households in China with incomes of over US$150,000 will rise from 384,000 in 2014 to 10,300,000 by 2030. The number of aspirating middle-class households will also grow rapidly, giving luxury a mass market in China.

BUSINESS REVIEW

Automobile Dealerships

During the year, revenue from the sales of ultra-luxury automobiles for the dealerships of Bentley, Lamborghini and Rolls-Royce recorded a 3.9% increase to HK$1.464 billion from HK$1.409 billion in the previous financial period. Bentley has recorded positive sales results but Lamborghini and Rolls-Royce have experienced a drop in revenue during this financial period. Bentley has performed the best with the largest sales increment, amounting to HK$797.9 million and representing a 33.1% increase in sales in this financial period from HK$599.5 million during the previous financial period, attributable to strong sales of new model New Flying Spur V8.

According to an article issued by Volkswagen titled "Sales Boost Puts Bentley on the Road to Record Year" on 8 October 2014, Bentley's aim of having a record-breaking year is firmly on track nine months into 2014. China, as one of Bentley's key regions, achieved strong growth during this period. Sales remained solid in a less-than-buoyant market with 1,959 cars delivered in the first nine months of 2014, against 1,264 cars in the first nine months of 2013. It proves that the China market is still prominent for the brand while sales have been picking up this year.

Rolls-Royce has recorded a 3.0% decrease in unit sales to 97 units sold during this financial period, compared with 100 units in the same period last year.

A total of 8 units of Lamborghini were sold, representing a decrease of 74.2% compared with 31 in the previous financial period.

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

Revenue from after-sales services during the interim period outperformed. It reached approximately HK$74.8 million, an increase of 34.5% compared with the same period last year. We expect after-sales services income will grow steadily in the upcoming financial periods.

Watch Dealerships

During the current financial period, the sales performance of our super deluxe branded watch division performed satisfactorily with the three brands. For Richard Mille, a total of 45 watches amounting to HK$35.7 million were sold, a 45.2% increase from HK$21.1 million in the previous financial period when 31 watches were sold. The Group believes the brand outperformed due to its niche positioning and target audience. During this financial period, a total of 70 Parmigiani watches were sold, a 16.7% drop compared with 84 watches in the previous financial period, yet the sales revenue increased to HK$12.8 million from HK$10.7 million in previous financial period, representing a 19.6% increase in sales revenues. Another brand, DeWitt, recorded an increase in gross profit margin during the current financial period compared with the same period last year. A total of 10 watches were sold, a 41.2% drop compared with 17 in the last financial period.

Jewellery Distributorships

The gross profit margin of the jewellery division dropped from 28.8% in the last financial period to 24.3% in the current financial period.

Boucheron, the first renowned top-tier brand that we acquired, has underperformed during this financial period. Sales dropped 4.0% compared with the previous financial period, reaching around HK$16.9 million compared with HK$17.6 million. It also saw a drop in gross profit margin compared with the same period last year. We are glad to see sales improved after the iAPM Shanghai boutique rolled out in October 2013.

Another renowned brand under our Group, Royal Asscher, recorded improved sales in this financial period compared with the same period last year. Sales increased 26.7% compared with the last financial period, reaching around HK$1.124 million compared with HK$0.887 million in the previous financial period. The brand recently entered its foothold to Tianjin and Wuhan in September and November respectively.

Fine Wines Dealerships

Overall performance of the wine division section was unsatisfactory during the interim period with total sales of HK$2.68 million. Sales of top fine wines dropped from HK$0.59 million to HK$0.42 million. Sales of Ex-Chateaux（逸仕賞度）, our self-created Bordeaux wine brand also recorded a decrease. The number of bottles sold decreased to 16,915 from 19,293, with gross profit margin down to 50.3% compared with 57.5% in the previous financial period. The Group continues exploring a distribution network including e-commerce platforms for Ex-Chateaux（逸仕賞度）. Following the Management Agreement on 12 May 2014 with a company beneficially 95% owned by Mr. Qi Jianhong, a substantial shareholder of the Group, to provide management service in the sales and marketing of Moutai Jackie Chan Liquor（茅台成龍酒）in the PRC, the Group received management fee of HK1.17 million in this financial period.

Other Distributorships

Buben & Zorweg, a top-notch Austrian manufacturer in Objects of Time, recorded sales of 10 pieces of high-end products during this financial period, a 42.9% increase compared with 7 pieces in the last financial period.

For Bang & Olufsen, the Group was appointed as a non-exclusive retailer and distributor of the brand's branded audio and visual consumer electronics products in the PRC in January 2013, recorded sales amounting to HK$11.8 million during this financial period, a 107% increase compared with HK$5.7 million in the last financial period. While the Group has made slight changes to the POS locations of B&O PLAY based on the sales performance of certain POS, our plan to have 37 B&O PLAY by the end of 2014 remains unchanged.

Outlook

The automobile industry in the PRC encounters structural change because of three policies which have recently taken effect – namely discontinuation of car distributorship and dealership registrations by brands, parallel import and average fuel consumption of passenger cars of automobile enterprises targeted at 6.9 liters per 100 kilometers in 2015. While the Group's directors will monitor closely the impact of such development, our preliminary views are cautiously positive in view of the inherent demand for ultra-luxury autos throughout the PRC.

Riding on the success of our recurring "Beijing Sparkle Roll Luxury Brands Culture Pinnacle Forum & Distinguished Exhibition" ("SR Luxfo") and 'Beijing Sparkle Roll Luxury Brands Culture Expo" ("SR Luxpo"), our Group has achieved the goal of acting as an interface between luxury brands and elites of the Chinese luxury industry, as well as further introducing the luxury brands culture from the world to China. Having enhanced the image of Sparkle Roll through SR Luxfo and SR Luxpo, we are glad that our luxury world concept will be able to radiate to the other parts of mainland China in the near future.

Looking ahead, the Group is still cautiously optimistic towards the luxury goods markets in the PRC. We will continue to adopt a prudent approach to increase our presence and expand our luxury goods market in the PRC. We are still committed to expanding the non-auto businesses to diversify our product portfolio so as to bring profitable returns to our shareholders in future. The Group is still moving towards the consumer discretionary direction and we are going to acquire a non-exclusive dealership of a famous top-notch brand of Italian suits through a joint venture set-up during upcoming financial period. Separate announcement will be made shortly to provide our investors and shareholders with more information.

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

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: 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 Transactions 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 2014.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance. The board of Directors of the Company (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 2014, 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 2014.

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 Results for the six months ended 30 September 2014. The Audit Committee is not aware of any material modifications that should have been made to the Interim Financial Results for the six months ended 30 September 2014.

BDO Limited has reviewed the Interim Financial Results 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 Results, 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 Results 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 Detailed Results Announcement on the Stock Exchange's Website

The information as required by the Listing Rules will be published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.hk970.com) in due course.

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

Hong Kong, 28 November 2014

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