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Sparkle Roll Group Limited
耀萊集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 970)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

		Six months ended 30 September	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue		**1,526,346**	1,541,476
Cost of sales		**(1,435,289)**	(1,367,885)
Gross profit		**91,057**	173,591
Other income	*5*	**54,960**	53,612
Selling and distribution costs		**(109,730)**	(114,261)
Administrative expenses		**(39,774)**	(36,894)
Other operating expenses		**–**	(3,292)
Operating (loss)/profit	*6*	**(3,487)**	72,756
Finance costs	*7*	**(15,359)**	(10,347)
(Loss)/Profit before income tax		**(18,846)**	62,409
Income tax expense	*8*	**(187)**	(2,477)

* *for identification purpose only*

	Notes	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
(Loss)/Profit for the period		**(19,033)**	59,932
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss:			
Exchange gains on translation of financial statements of foreign operations		**14,498**	7,859
Total comprehensive income for the period		**(4,535)**	67,791
(Loss)/Profit for the period attributable to:			
Owners of the Company		**(18,718)**	59,844
Non-controlling interests		**(315)**	88
		(19,033)	59,932
Total comprehensive income attributable to:			
Owners of the Company		**(4,220)**	67,715
Non-controlling interests		**(315)**	76
		(4,535)	67,791
(Loss)/Earnings per share attributable to the owners of the Company during the period	*10*		
Basic (loss)/earnings per share *(HK cents)*		**(0.63)**	2.01
Diluted (loss)/earnings per share *(HK cents)*		**(0.63)**	2.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

	Notes	**30 September 2013** ***HK$'000*** **(Unaudited)**	31 March 2013 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**215,634**	174,272
Goodwill		**580,679**	580,679
Other intangible assets		**24,672**	843
Rental deposits paid to a related party	*11*	**18,181**	13,672
Financial assets at fair value through profit or loss	*12*	**–**	524
		839,166	769,990
Current assets			
Inventories		**780,334**	861,356
Trade receivables	*13*	**28,767**	57,259
Deposits, prepayments and other receivables		**183,413**	300,761
Amount due from a related party	*11*	**18,056**	14,183
Financial assets at fair value through profit or loss	*12*	**529**	–
Pledged bank deposits		**91,402**	95,854
Cash at banks and in hand		**206,961**	273,893
		1,309,462	1,603,306
Current liabilities			
Trade payables	*14*	**24,193**	14,551
Receipts in advance, accrued charges and other payables		**95,720**	119,015
Derivative financial instruments		**–**	161
Provision for taxation		**3,792**	3,918
Borrowings	*15*	**451,327**	547,849
		575,032	685,494
Net current assets		**734,430**	917,812
Total assets less current liabilities		**1,573,596**	1,687,802

	Notes	**30 September 2013** ***HK$'000*** **(Unaudited)**	31 March 2013 *HK$'000* (Audited)
Non-current liabilities			
Other payables		**365**	538
Borrowings	*15*	**20,000**	40,000
Deferred tax liabilities		**1,482**	1,730
		21,847	42,268
Net assets		**1,551,749**	1,645,534
EQUITY			
Share capital		**5,959**	5,959
Reserves		**1,527,143**	1,599,542
Equity attributable to the owners of the Company		**1,533,102**	1,605,501
Non-controlling interests		**18,647**	40,033
Total equity		**1,551,749**	1,645,534

NOTES TO THE INTERIM RESULTS

For the six months ended 30 September 2013

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 House, 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, the People's Republic of China, excluding Hong Kong and Macau (the "PRC"), 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 2013, 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.

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 2013 (the "2013 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 2013:

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

Other than as noted below, the adoption of these new and revised HKFRSs did not change the Group's accounting policies as followed in the preparation of the 2013 Annual Financial Statements.

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

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. The Group's presentation of other comprehensive income in the interim financial results have been modified accordingly.

HKFRS 13 – Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial report.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and now also discloses segment liabilities in note 4.

The directors of the Company anticipate that the application of new and revised HKFRSs but not yet effective will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

The executive directors have identified the following reportable operating segments:

Trading of automobiles and related parts and accessories and provision of after-sale services – Distribute branded automobiles, namely Bentley, Lamborghini and Rolls-Royce, and provide related after-sale services;

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

Trading of branded jewelleries – Distribute branded jewelleries, namely Boucheron and Royal Asscher;

Trading of fine wines – Distribute certain brands of fine wines; and

Trading of 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 2013

	Trading of automobiles and related parts and accessories and provision of after-sale services	**Trading of branded watches**	**Trading of branded jewelleries**	**Trading of fine wines**	**Trading of audio equipment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue from external customers	**1,464,354**	**34,211**	**18,467**	**3,625**	**5,689**	**1,526,346**
Other income	**26,188**	**11,600**	**1,807**	**6,122**	**–**	**45,717**
Reportable segment revenue	**1,490,542**	**45,811**	**20,274**	**9,747**	**5,689**	**1,572,063**
Reportable segment results	**20,128**	**(5,185)**	**(4,185)**	**(7,940)**	**(648)**	**2,170**

For the six months ended 30 September 2012

	Trading of automobiles and related parts and accessories and provision of after-sale services	Trading of branded watches	Trading of branded jewelleries	Trading of fine wines	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	1,351,267	56,974	22,790	110,445	1,541,476
Other income	21,452	5,664	1,370	19,038	47,524
Reportable segment revenue	1,372,719	62,638	24,160	129,483	1,589,000
Reportable segment results	50,046	(3,154)	2,934	33,309	83,135

Segment assets and liabilities

As at 30 September 2013

	Trading of automobiles and related parts and accessories and provision of after-sale services *HK$'000* (Unaudited)	Trading of branded watches *HK$'000* (Unaudited)	Trading of branded jewelleries *HK$'000* (Unaudited)	Trading of fine wines *HK$'000* (Unaudited)	Trading of audio equipment *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Reportable segment assets	**1,472,156**	**252,006**	**162,693**	**160,112**	**61,333**	**2,108,300**
Corporate assets:						
– financial assets						**30,799**
– non-financial assets						**9,529**
Consolidated total assets						**2,148,628**
Reportable segment liabilities	**95,368**	**15,193**	**7,945**	**630**	**737**	**119,873**
Corporate liabilities:						
– financial liabilities						**471,732**
– non-financial liabilities						**5,274**
Consolidated total liabilities						**596,879**

As at 31 March 2013

	Trading of automobiles and related parts and accessories and provision of after-sale services *HK$'000* (Audited)	Trading of branded watches *HK$'000* (Audited)	Trading of branded jewelleries *HK$'000* (Audited)	Trading of fine wines *HK$'000* (Audited)	Total *HK$'000* (Audited)
Reportable segment assets	1,695,313	270,816	119,604	236,572	2,322,305
Corporate assets:					
– financial assets					47,794
– non-financial assets					3,197
Consolidated total assets					2,373,296
Reportable segment liabilities	117,807	13,112	1,082	794	132,795
Corporate liabilities:					
– financial liabilities					589,319
– non-financial liabilities					5,648
Consolidated total liabilities					727,762

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

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reportable segment results	**2,170**	83,135
Bank interest income	**716**	463
Fair value gains/(losses) on derivative financial instruments	**161**	(3,292)
Unallocated corporate income	**8,366**	5,625
Unallocated corporate expenses	**(14,900)**	(13,175)
Finance costs	**(15,359)**	(10,347)
(Loss)/Profit before income tax	**(18,846)**	62,409

5. OTHER INCOME

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**716**	463
Bonus from suppliers	**17,737**	10,894
Exchange gain, net	**162**	–
Fair value gains on derivative financial instruments	**161**	–
Fair value gains on financial assets at fair value through profit or loss *(note 12)*	**5**	80
Gain on disposals of financial assets at fair value through profit or loss *(note 12)*	**–**	13,823
Gain on disposals of property, plant and equipment	**936**	–
Imputed interest income on trade and other receivables	**1,856**	859
Income from exhibition and other services income	**8,920**	5,563
Income from insurance brokerage	**10,012**	8,090
Sub-lease income	**8,693**	8,725
Others	**5,762**	5,115
	54,960	53,612

6. OPERATING (LOSS)/PROFIT

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Operating (loss)/profit is arrived at after charging/(crediting):		
Amortisation of other intangible assets[#]	**1,734**	769
Depreciation of property, plant and equipment*	**20,159**	15,626
Exchange differences, net	**(162)**	390
Fair value (gains)/losses on derivative financial instruments[^]	**(161)**	3,292
Gain on disposals of property, plant and equipment	**(936)**	–
Operating lease payments in respect of rented premises	**54,752**	58,882
Defined contribution retirement benefits scheme contributions for employees	**3,990**	3,290
Staff costs, including directors' emoluments	**15,960**	17,986
Total staff costs	**19,950**	21,276

[#] *Amortisation of other intangible assets of approximately HK$1,734,000 (six months ended 30 September 2012: HK$769,000) has been included in administrative expenses.*

* *Depreciation of approximately HK$14,887,000 and HK$5,272,000 (six months ended 30 September 2012: HK$11,157,000 and HK$4,469,000) have been included in selling and distribution costs and administrative expenses respectively.*

[^] *The amount has been included in other income (six months ended 30 September 2012: other operating expenses).*

7. FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on financial liabilities stated at amortised cost:		
– Borrowings wholly repayable within five years	**15,359**	10,347

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2012: 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 the PRC is charged at 25% (six months ended 30 September 2012: 25%) on deemed profits calculated at 7% to 10% (six months ended 30 September 2012: 7% to 10%) on revenue in accordance with relevant tax regulations in the PRC.

Income tax of certain subsidiaries of the Company in Malaysia is charged at a fixed amount of approximately Malaysia Ringgit ("MYR") 20,000 (six months ended 30 September 2012: MYR20,000) in accordance with relevant tax regulations in Malaysia.

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong:		
– Tax for the period	**56**	1,081
Other jurisdiction:		
– Tax for the period	**379**	1,749
	435	2,830
Deferred tax		
– Tax for the period	**(248)**	(353)
Total income tax expense	**187**	2,477

9. DIVIDENDS

(a) Dividends attributable to the period

No interim dividend was proposed in respect of the six months ended 30 September 2013. An interim dividend out of the contributed surplus of the Company of HK0.2 cent per ordinary share, totalling approximately HK$5,960,000 was paid in respect of the six months ended 30 September 2012.

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend: Nil (six months ended 30 September 2012: HK0.2 cent per share)	**–**	5,960

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

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Final dividend: Nil (2012: HK0.3 cent per share) *(note)*	**–**	8,939

Note: The final dividend of HK$8,939,000 represented dividend payable by the Company to its owners for the year ended 31 March 2012 which had been paid during the year ended 31 March 2013.

10. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earnings per share is based on the loss attributable to the owners of the Company of HK$18,718,000 (six months ended 30 September 2012: profit of HK$59,844,000) and on the weighted average of 2,979,828,850 (six months ended 30 September 2012: 2,979,828,850) ordinary shares in issue during the period.

(b) Diluted

The diluted (loss)/earnings per share for the six months ended 30 September 2013 and 2012 are the same as basic (loss)/earnings per share as the potential ordinary shares have no dilutive effect on (loss)/earnings per share.

11. BALANCES WITH RELATED PARTIES

(a) Rental deposits paid to a related party

The Group entered into several agreements with Mr. Qi Jian Hong ("Mr. Qi"), a substantial shareholder of the Company, for leasing of properties as office premises, bonded warehouse and showrooms in the PRC to the Group. The rental deposits paid to Mr. Qi of approximately HK$18,181,000 (31 March 2013: HK$13,672,000) have been recognised as non-current assets as at 30 September 2013.

(b) Amount due from a related party

The amount due from Mr. Qi resulting from prepaid rental expenses for leasing of properties as office premises, bonded warehouse and showrooms in the PRC 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.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year ended 31 March 2013, the Group acquired certain wine futures at 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 2013, the fair value of these wine futures amounted to approximately HK$524,000. As at 30 September 2013, the fair value of these wine futures amounted to approximately HK$529,000. The gain of approximately HK$5,000 (six months ended 30 September 2012: HK$80,000) arising from the changes of the fair value of the wine futures have been recognised in profit or loss for the six months ended 30 September 2013 and included in other income as disclosed in note 5.

During the six months ended 30 September 2012, the Group had disposed of certain wine futures at a consideration of approximately HK$93,660,000. A gain of approximately HK$13,823,000 arising from disposal of wine futures had been recognised in profit or loss for the six months ended 30 September 2012 and included in other income. During the six months ended 30 September 2013, no wine futures were disposed.

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 2013	31 March 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-30 days	**11**	7,072
31-60 days	**109**	–
61-90 days	**–**	–
Over 90 days	**28,647**	50,187
	28,767	57,259

It is the Group's credit policy that sales to retail customers are mainly on receipts in advance from customers or cash on delivery while sales to wholesale customers are mainly on a credit basis up to 18 months (31 March 2013: up to 18 months).

14. TRADE PAYABLES

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

	30 September 2013	31 March 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**10,101**	9,079
31 – 60 days	**4,901**	2,793
61 – 90 days	**1,905**	572
Over 90 days	**7,286**	2,107
	24,193	14,551

15. BORROWINGS

	30 September 2013	31 March 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current portion:		
Bank loans, guaranteed	**7,127**	61,728
Bank loans, secured	**4,181**	20,441
Other loans, secured	**–**	25,449
Bank loans, secured and guaranteed	**382,836**	234,816
Other loans, secured and guaranteed	**43,183**	205,415
Bank overdrafts, secured and guaranteed	**14,000**	–
	451,327	547,849
Non-current portion:		
Bank loans, secured and guaranteed	**20,000**	40,000
	471,327	587,849

As at the reporting date, total current and non-current borrowings were scheduled to repay as follows:

	30 September 2013	31 March 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
On demand or within one year	**451,327**	547,849
In the second year	**20,000**	40,000
	471,327	587,849

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

	30 September 2013	31 March 2013
	(Unaudited)	(Audited)
Bank loans, secured and/or guaranteed	**HIBOR + 2.25% to HIBOR + 3% per annum, LIBOR + 1.8% to LIBOR + 2.5% per annum and 1.82% to 6.9% per annum**	HIBOR + 2% to HIBOR + 4% per annum, LIBOR + 1.8% to LIBOR + 2.5% per annum and 1.8% to 7.4% per annum
Other loans, secured and/or guaranteed	**7.1% to 8% per annum**	7.1% to 8.5% per annum
Bank overdrafts, secured and guaranteed	**HIBOR +3% per annum, 5.5% per annum**	N/A

As at 30 September 2013, certain inventories and bank deposits of the Group (31 March 2013: certain equity interest of a subsidiary in the PRC and certain inventories and bank 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 2013 and the year ended 31 March 2013.

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 2013	31 March 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
European Euros	**3,227**	2,490
Hong Kong Dollars	**82,457**	99,633
Renminbi	**370,947**	483,715
Swiss Franc	**10,919**	544
United States Dollars	**3,777**	1,467
	471,327	587,849

16. 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 2013 amounted to approximately HK$8,693,000 (six months ended 30 September 2012: HK$8,725,000).

(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 2013	31 March 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**112,467**	84,174
In the second to fifth years inclusive	**338,255**	281,621
After five years	**229,102**	173,945
	679,824	539,740

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 2013: one to ten years). None of these leases include contingent rentals.

17. CAPITAL AND OTHER COMMITMENTS

	30 September 2013	31 March 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for in respect of acquisition of property, plant and equipment	**3,835**	–

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 six (31 March 2013: nine) boutiques during the terms of the distributorship period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group recorded a loss for the six months ended 30 September 2013 as compared with the six months ended 30 September 2012. In order to provide shareholders and potential investors, a profit warning announcement was made on 1 November 2013. Such loss was mainly due to (i) a significant decrease in gross profit margin of automobile dealerships business of the Group, which generated approximately 95.9% of total revenues of the Group for the six months ended 30 September 2013, as a result of keen competition of automobile dealerships after new dealers were established in cities near Beijing and Tianjin. That was despite a modest increase in the number of automobiles sold by the Group; (ii) significant decrease in revenue of the watches & jewelleries due to weak market demand and in gross profit margin of watches & jewelleries business as a result of sales promotion and (iii) a substantial drop in sales of top fine wines although sales of private label wine, Ex-Chateaux, improved.

Automobile Dealerships

The performance of automobile dealerships was weak during the six months ended 30 September 2013. During this six-month period, number of automobiles sold in terms of different brands was 146 Bentley, 31 Lamborghini and 100 Rolls-Royce compared to 179 Bentley, 18 Lamborghini and 71 Rolls-Royce respectively of corresponding period of 2012.

Revenue of automobiles sales increased slightly to HK$1,408.7 million compared to HK$1,306.9 million of same period last year. The gross profit margin ("GPM") decreased significantly to 3.0% from 6.2% of same period last year. Revenue derived from after-sale services to automobiles increased to HK$55.6 million from HK$44.3 million of corresponding period of last year. Out of the total revenue of HK$55.6 million from after-sale service, HK$51.5 million (interim 2012: HK$42.1 million) came from Beijing service centre while HK$4.1 million (interim 2012: HK$2.2 million) came from Tianjin service centre.

At the same time, the gross profit margin of after-sale service decreased slightly to 53.9% from 56.7% of same period last year.

Watch Distributorships

During the current period, 31 pieces of Richard Mille watches, 17 pieces of DeWitt watches, 84 pieces of Parmigiani watches and 1 piece of deLaCour watch were sold (interim 2012: 33 Richard Mille, 27 DeWitt and 115 Parmigiani). The decrease in number of watches sold reflected the weak demand of the market. The overall GPM for watches segment decreased from 42.0% to 30.2%. There were substantial decrease in sales revenue of DeWitt and Parmigiani whereas there was double-digit decrease in GPM of DeWitt.

Nevertheless, we received financial support of approximately HK$2.7 million (2012 interim: HK$1.3 million) from certain brands in retrocession and sharing of communication and marketing expenses which were reflected in other income.

Jewellery Distributorships and Fine Wines Dealerships

During the current period, reportable segment revenue for jewellery distribution and fine wines dealerships were approximately HK$18.5 million and HK$3.6 million respectively compared with HK$22.8 million and HK$110.4 million of corresponding period of 2012.

The overall GPM for jewellery segment decreased significantly from 54.5% to 28.8% due to sales promotion.

During the six-month period, there was substantial drop in sales of top fine wines although sales of private label wine, Ex-Chateaux, recorded improvement. The overall GPM for fine wines dealerships was increased to 53.4% compared with 28.2% in same period last year.

Audio equipment

The Group started to distribute B&O PLAY products during this interim financial period and resulted a revenue of HK$5.7 million. The GPM was approximately 28.5%.

Numbers and Remuneration of Employees

As at 30 September 2013, the Group has 497 employees (31 March 2013: 428). Staff costs (including directors' emoluments) charged to profit or loss amounted to approximately HK$20.0 million for six months ended 30 September 2013 (interim 2012: HK$21.3 million). All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus.

Share Option Scheme

The Company operates a share option scheme (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.

Total number of shares to be issued under the Scheme outstanding as at 30 September 2013 was totally 4,456,000 shares (at 31 March 2013 was totally 15,764,000 shares).

Liquidity and Financial Resources

The Group's total assets as at 30 September 2013 were approximately HK$2,148.6 million (31 March 2013: HK$2,373.3 million) which were supported by the shareholders' fund of HK$1,551.7 million (31 March 2013: HK$1,645.5 million). On the other hand, the Group has total liabilities of HK$596.9 million (31 March 2013: HK$727.8 million).

The directors consider that the Group has sufficient working capital for its operations and financial resources for financing future investment opportunities in suitable business ventures.

Capital Structure

The Group's gearing ratio computed as total borrowings over the owners' equity decreased to 30.4% as at 30 September 2013 (31 March 2013: 35.7%).

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 Euro, Swiss Franc, Hong Kong dollars, and Renminbi.

For this period, the Group is mainly exposed to foreign currency exchange risk of Euro and Swiss Franc 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 mainly for acquisition of property, plant and equipment. The Board considered that the Group had no material contingent liabilities as at 30 September 2013. The Group had capital commitment of approximately HK$3.8 million as at 30 September 2013 (31 March 2013: Nil) in respect of the acquisition of property, plant and equipment.

Charges on Assets

As at 30 September 2013, bank deposits and inventories of the Group with an aggregate carrying amount of approximately HK$91.4 million (31 March 2013: HK$95.9 million) and HK$199.4 million (31 March 2013: HK$360.5 million) respectively were pledged to secure general banking facilities granted to the Group.

PROSPECTS

The stabilization of global market conditions due to the US economy and labour market has continued, plus the Eurozone debt crisis has cooled down. At the same time, China's economy grew by 7.7% year-on-year over the first three quarters of 2013 compared with 7.8% in the same period from a year earlier, according to figures released by the National Bureau of Statistics on 18 October 2103, making it likely the economy would top the country's annual growth target of 7.5%. According to estimates compiled by Bloomberg, Chinese gross domestic product is expected to expand 7.6% in 2013, the weakest pace in 14 years.

In view of the anti-extravagance crackdown to slow down luxury good purchases, the performance of the Group's luxury dealerships businesses was undoubtedly affected.

During this financial period, the Group's revenue decreased by 1.0%, reaching HK$1,526.3 million compared with HK$1,541.5 million in the previous financial period. Gross profit for this financial period decreased by 47.5%, reaching HK$91.1 million, compared with HK$173.6 million in the previous financial period, while a net loss for this financial period of HK$19.0 million was recorded, compared with a net profit of HK$59.9 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 reporting "the Slowdown/Dries Up of China's Luxury Market". Bain & Company, a leading global business consulting firm issued an article titled "Sales of luxury goods drop as China market dries up" on 28 October 2013. The article estimates that sales of luxury goods in China are expected to grow by just 2.5% to 15.3 billion Euros, as a result of an anti-extravagance crackdown that has slowed gift-giving and a tendency by Chinese tourists to shop abroad. Bain estimates 2013 global luxury sales at 217 billion euros, up from 212 billion Euros in 2012. The increase is a fraction of the double-digit growth enjoyed in the previous 3 years. Additionally, the US remains by far the largest luxury market, with sales of 62.5 billion euros, followed by Japan and Italy, both in decline with 17.2 billion euros and 16.1 billion in sales respectively this year. China is expected to surpass France for fourth place.

The consumer research group Euromonitor International issued a report titled "The state of the luxury market" in October 2013. The firm remains optimistic about the industry's growth prospects. Driven mainly by strength in emerging economics, overall retail growth is set to be stronger than in 2012, with luxury goods sales expected to exceed US$317 billion worldwide. This represents a year-on-year real value gain of over 3% from 2012 compared with a year-on-year real value gain of over 4% last year. Besides, one of the most exciting findings is that by 2018, as the report predicts and based on how fast the region is growing, Asia Pacific will be the biggest region in the world for luxury goods. This is due predominantly to China, but also the emerging Asian markets like Malaysia and Indonesia. India is also a major contributor.

BUSINESS REVIEW

Automobile Dealerships

During the period, revenue from the sales of the ultra-luxury automobiles for the dealerships of Bentley, Lamborghini and Rolls-Royce recorded a 7.8% increase to HK$1,408.7 million from, HK$1,306.9 million in the previous financial period. Lamborghini and Rolls-Royce have recorded positive sales results but Bentley has experienced a drop in revenue during this financial period. Among the 3 ultra-luxury brands under our Group, Lamborghini has performed largest sales increment, amounting to HK$159.4 million and, representing a 78.7% increase in sales in this financial period from HK$89.2 million during the previous financial period.

Rolls-Royce has recorded a 40.8% increase in unit sales to 100 units sold during this financial period, compared with 71 units in the same period last year.

According to an article issued by Bloomberg titled "Rolls-Royce motor CEO says higher China prices due mostly to Tax" on 23 October 2013, Rolls-Royce CEO Torsten Mueller-Oetvoes said in an interview in Beijing that China is currently the automarker's second-largest market, behind the US, and may regain the top sales spot at the end of this year. China was Roll-Royce's biggest market in 2011 before being overtaken by the US last year. It proves that the China market still plays a crucial role for the brand even though sales this year have slowed down.

Bentley's performance was the weakest among our 3 brands during this financial period with a total of 146 units sold, representing a decrease of 18.4% compared with 179 in the previous financial period.

Gross profit margins of all three brands were compressed as a result of keen competition, with Lamborghini leading the way followed by Bentley, although the Group would still enjoy bonus and purchase credits from the brands.

Revenues from after-sales services during the interim period was in line with our expectation. It reached approximately HK$55.6 million, an increase of 25.5% compared with the same period last year. We expect after-sales services income will further grow steadily in the upcoming financial periods.

Watch Distributorships

During the current financial period, the sales performance of our super deluxe branded watch division recorded a drop in Parmigiani and DeWitt while Richard Mille performed satisfactorily. For Richard Mille, a total of 31 watches amounting to HK$21.1 million were sold, a 16.6% increase from HK$18.1 million in the previous interim period when 33 watches were sold. The Group believes the brand outperformed due to its niche positioning and target audience. For Parmigiani, the brand has been hit by weakened sentiments because of the slowdown in the PRC luxury goods market. During this financial period, a total of 84 watches were sold, a 27.0% drop compared with 115 watches in the previous interim period. Another brand, DeWitt, recorded a drastic drop in gross profit margin during the current financial period compared with the same period last year. A total of 17 watches were sold, a 37.0% drop compared with 27 in the last interim period.

Jewellery Distributorships

The gross profit margin of the jewellery division has dropped drastically during the current financial period, from 54.5% in the last financial period to 28.8% in the current financial period.

Boucheron, the first renowned top-tier brand we acquired, has underperformed during this financial period. Sales dropped 17.4% compared with the previous financial period, reaching around HK$17.6 million compared with HK$21.3 million. It also saw a substantial drop in gross profit margin compared with the same period last year due to family sales promotion in Sparkle Roll Luxury World (China Headquarter). Besides, Plaza 66 Shanghai boutique was under renovation while the outlet located in HK Plaza Shanghai was shut down during this financial period. Hence, the sales of the brand were affected. However, iAPM Shanghai boutique was officially opened on 29 October 2013 and we hope our jewellery sector will gain further momentum in the upcoming financial period with new and refurnished boutiques.

Another renowned brand under our Group, Royal Asscher, recorded improved gross profit margin in this financial period compared with the same period last year. However, sales dropped 40.5% compared with the last financial period, reaching around HK$0.9 million compared with HK$1.5 million in the previous financial period.

Fine Wines Dealerships

Overall performance of the wine section was unsatisfactory during the interim period with total sales of HK$3.6 million. Sales of top fine wines dropped substantially from HK$106.2 million to HK$0.6 million as most of our top fine wines were sold during our previous financial period. Sales of Ex-Chateaux（逸仕賞度）, our self-created Bordeaux wine brand, improved. The number of bottles sold increased to 19,293 from 16,052, improving the overall gross profit margin to 53.4% compared with 28.2% in the previous financial period, after our Group launched a promotional campaign that will continue.

Additionally, after the disposal of investment in wine futures or "En Primeur" 2010 in the last interim period, our investment in wine futures or "2011 En Primeur" during this financial period was down to a fair value of HK$0.5 million.

Other Distributorships

Buben & Zorweg, a top-notch Austrian manufacturer in Objects of Time recorded sales of 7 pieces of high-end products during this financial period, a 12.5% drop compared with 8 pieces in the last interim period. Despite the drop, the demand for high-end bespoke products of Buben & Zorweg is strong.

For Bang & Olufsen, the Group was appointed as a non-exclusive retailer, distributor of the brand's branded audio and visual consumer electronics products in the PRC in January 2013, recorded sales amounting to HK$5.7 million during this interim period. During this financial period, B&O PLAY has already opened 38 POS throughout the PRC. With a close collaboration with Bang & Olufsen A/S, Denmark, that would expand the dealer's network in good locations as well as image enhancement, we consider this next line of business will bear fruit in the upcoming financial period.

Outlook

China is expected to overtake the United States as the largest premium car market as early as 2016, when sales could reach 2.25 million units, according to a report issued by McKinsey China titled "Upward Mobility: The Future of China's Premium Car Market" in March 2013. The report mentions the premium car market in China has increased at an impressive rate of 36% a year in the last decade, faster than the 26% annual growth in the overall Chinese passenger vehicle market during the same period. Also, sales of premium cars in China reached 1.25 million vehicles in 2012, making it the second biggest market in the world after the US. The premium car market in China represented 9% of all passenger car sales in 2012, higher than that of South Korea and Japan. Although the premium car market has experienced slowdown in the recent years, the Group is confident that revenue from our auto section can be picked up in the upcoming financial period. However, competition among different high-end brands will still be keen at least in the short term. Based on the encouraging performance of our auto aftersales income during this financial period, we expect this section's income will increase considerably in future.

In November 2013, Parmigiani will be launching a boutique at Lufthansa Jin Yuan Shopping Centre in Beijing. Additionally, the Group's watch and jewellery businesses have been expanding their foothold to the 3rd largest luxury market in the PRC Chengdu at Chengdu IFS with outlets of Boucheron, Royal Asscher and DeWitt. For fine wines section, the Group's private label wine – "Ex-Chateaux" has been receiving positive feedback in Tianjin. We hope by continuing to launch promotional campaign together with organizing wine tastings with wine makers, Ex-Chateaux will expand its market presence and be sold to a wider spectrum of customers across mainland China. Following the first-ever "Beijing Sparkle Roll Luxury Brands Culture Pinnacle Forum & Distinguished Exhibition 2013 Spring" ("SR Luxfo 2013), we are proud to present our second 'Beijing Sparkle Roll Luxury Brands Culture Expo 2013 Fall" ("SR Luxpo 2013") themed "Perfection of Age with Glamour and Peerage", which was held at the China National Convention Center in Beijing during 10 to 14 October, 2013 with success and recognition. There were 74 high-end brands of around 20 categories from 15 countries participating in the exhibition. Based on the positive feedback of both Luxfo and Luxpo, the Group decided to make both recurring events.

The Group has extended its foothold to Taiyuan, Hefei, Harbin, and Datong with several mini luxpos organized in April, July, October and November 2013 respectively. Those mini luxpos were organized on a cost-free basis and they generated an enthusiastic response as well as introduced our products to potential customers to allow them to enjoy personalized services. The Group targets to ride on mini luxpos to introduce products under our portfolio to other PRC cities in the upcoming financial periods.

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 while optimizing the inventory mix and level, strengthening our retail business model and maintaining close collaboration with the brands. With regard to Royal Asscher, in addition to Chengdu, we are rolling out a road map of setting up stores and POS in other cities like Shanghai, Tianjin, Xian, Shijiazhuang and Fuzhou in the next 2 years.

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 2013 (six months ended 30 September 2012: HK0.2 cent) per share.

PURCHASE, SALE OR REDEMPTION OF 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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding directors' securities transactions. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied, with the required standards set out in the Model Code throughout the six months ended 30 September 2013.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavors to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the CG Code and the Board is of the opinion that the Company was in compliance with the CG Code for the six months ended 30 September 2013.

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, with the management, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2013 (the "Interim Financial Results"). 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 2013.

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 Appendix of 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
Tong Kai Lap
Chairman

Hong Kong, 26 November 2013

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.