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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 2009

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 2009 together with the comparative figures for the corresponding period in 2008 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

		Six months ended 30 September	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**465,110**	224,730
Cost of sales		**(382,678)**	(237,386)
Gross profit/(loss)		**82,432**	(12,656)
Other revenue and gains	*5*	**13,250**	35,357
Selling and distribution costs		**(20,207)**	(10,613)
Administrative expenses		**(27,069)**	(15,980)
Other operating expenses		**(262)**	(62,223)
Operating profit/(loss)	*6*	**48,144**	(66,115)
Finance costs	*7*	**(9,768)**	(6,082)
Profit/(loss) before income tax		**38,376**	(72,197)
Income tax expense	*8*	**(2,198)**	(6,336)
Profit/(loss) for the period		**36,178**	(78,533)
Other comprehensive income			
Exchange gains on translation of financial statements of foreign operations		**324**	840
Other comprehensive income for the period, net of tax		**324**	840
Total comprehensive income/(loss) for the period		**36,502**	(77,693)

	Notes	Six months ended 30 September **2009** ***HK$'000*** **(Unaudited)**	 2008 *HK$'000* (Unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		**35,659**	(78,448)
Non-controlling interests		**519**	(85)
		36,178	(78,533)
Dividends	*9*	**12,281**	15,512
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**35,983**	(77,608)
Non-controlling interests		**519**	(85)
		36,502	(77,693)
Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the period	*10*		
- Basic		**HK2.0 cents**	HK(5.9) cents
- Diluted		**HK1.7 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2009

	Notes	**30 September 2009** ***HK$'000*** **(Unaudited)**	31 March 2009 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**24,189**	18,772
Goodwill	*12*	**597,334**	597,334
Other intangible assets		**8,751**	9,778
Trade receivables	*13*	**1,108**	-
		631,382	625,884
Current assets			
Inventories		**103,470**	86,761
Film rights		**12,088**	11,746
Trade receivables	*13*	**21,703**	22,161
Deposits, prepayments and other receivables		**71,170**	40,977
Amounts due from related companies		**19,223**	13,813
Amount due from a shareholder		**1,887**	-
Derivative financial instruments		**-**	698
Tax recoverable		**329**	231
Pledged bank deposits		**5,348**	5,337
Cash at banks and in hand		**66,154**	71,564
		301,372	253,288
Current liabilities			
Trade payables	*14*	**14,650**	12,943
Receipts in advance, accrued charges and other payables		**91,090**	52,395
Amounts due to related parties		**909**	10,601
Derivative financial instruments		**-**	697
Provision for tax		**4,361**	2,552
Borrowings		**13,603**	33,424
Convertible notes	*15*	**120,771**	-
		245,384	112,612
Net current assets		**55,988**	140,676
Total assets less current liabilities		**687,370**	766,560
Non-current liabilities			
Receipts in advance and other payables		**3,753**	3,919
Convertible notes	*15*	**-**	183,668
Deferred tax liabilities		**22**	22
		3,775	187,609
Net assets		**683,595**	578,951
EQUITY			
Share capital		**4,222**	3,572
Reserves		**675,397**	571,922
Equity attributable to the owners of the Company		**679,619**	575,494
Non-controlling interests		**3,976**	3,457
Total equity		**683,595**	578,951

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

1. GENERAL INFORMATION

The Company is an exempted company with limited liability incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church House, Hamilton HM11, Bermuda and the principal place of business is Rooms 2028-36, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "SEHK").

The principal activities of the Group are the publications and distributions of comic books, multimedia development and trading of luxury goods, mainly automobiles and watches in Hong Kong and the People's Republic of China, excluding Hong Kong and Macau (the "PRC").

2. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" 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 SEHK.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2009, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) as disclosed in note 3 to the interim financial report.

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

The interim financial report does 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 2009.

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 financial period beginning on 1 April 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 8	Operating Segments
HK(IFRIC) Interpretation 9 and HKAS 39 (Amendments)	Embedded Derivatives
Various	Improvements to HKFRSs 2008

Other than as noted below, the adoption of these new or amended HKFRSs did not change the Group's accounting policies as followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009.

(a) HKAS 1 (Revised 2007) Presentation of Financial Statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income, for example exchange differences arising on the translation of financial statements of foreign operations. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". Comparatives have been restated to conform with the revised standard.

(b) HKAS 27 (Amendment) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or an associate in profit or loss irrespective the distributions are out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Company recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in profit or loss.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

For the current interim period, dividends were received from subsidiaries but the dividends were not in excess of post-acquisition reserves and therefore the adoption of this new accounting policy does not have impact on the interim financial report. The new accounting policy has been applied prospectively as required by the amendments to HKAS 27, and therefore no comparatives have been restated.

(c) HKFRS 8 Operating Segments

The adoption of HKFRS 8 has changed the identified and reportable operating segments for the Group by grouping the two segments of publications and distributions of comic books and multimedia development into one segment of comics and animations development. Besides, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives have been restated on a basis consistent with the new standard.

4. SEGMENT INFORMATION

On adoption of HKFRS 8 "Operating segments", the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to the executive directors are determined following the Group's major product and service lines.

The Group is currently organised into three operating divisions, namely, comics and animations development, trading of automobiles and related parts and accessories and provision of after-sale services and trading of branded watches.

Each of these operating segments is managed separately as each of these product and service lines requires different resources as well as marketing approaches. The adoption of HKFRS 8 has changed the identified operating segments for the Group compared to 2009 annual financial statements. In 2009 annual financial statements, the comics and animations development segment was separated into the publications and distributions of comic books and multimedia development segments.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the executive directors. The executive directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group uses for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the operating results of the operating segments (finance costs, income tax and corporate income and expenses).

There are no inter-segments sales between the reportable segments (six months ended 30 September 2008: Nil).

Information regarding the Group's reportable segments are provided to the Group's executive directors is set out below:

For the six months ended 30 September

	Comics and animations development		**Trading of automobiles and related parts and accessories and provision of after-sale services**		**Trading of branded watches**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenues:								
Sales to external customers	**69,438**	81,228	**337,630**	134,823	**58,042**	8,679	**465,110**	224,730
Other revenue	**5,395**	600	**5,774**	16,158	**61**	-	**11,230**	16,758
Reportable segment revenue	**74,833**	81,828	**343,404**	150,981	**58,103**	8,679	**476,340**	241,488
Allowance for impairment of:								
- film rights	**-**	(10,000)	**-**	-	**-**	-	**-**	(10,000)
- goodwill	-	(54,000)	-	-	-	-	-	(54,000)
- intangible assets	-	(7,994)	-	-	-	-	-	(7,994)
Amortisation of								
- film rights	**(3,043)**	(1,617)	-	-	-	-	**(3,043)**	(1,617)
- intangible assets	**(417)**	(1,589)	-	-	**(610)**	-	**(1,027)**	(1,589)
Fair value changes on derivative financial instruments	**(1)**	(102)	**1,887**	-	-	-	**1,886**	(102)
Write-down of inventories to net realisable value	**(971)**	(29,434)	-	-	-	-	**(971)**	(29,434)
Reversal of write-down of inventories	**664**	-	-	-	-	-	**664**	-
Reportable segment results	**(3,438)**	(97,294)	**35,454**	22,407	**23,951**	2,164	**55,967**	(72,723)
Bank interest income and other unallocated income							**134**	18,599
Unallocated expenses							**(7,957)**	(11,991)
Finance costs							**(9,768)**	(6,082)
Profit/(loss) before income tax							**38,376**	(72,197)

5. OTHER REVENUE AND GAINS

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Advertising income	**40**	26
Allowance for impairment of receivables written back	**72**	-
Amortisation of government grant	**58**	57
Bank interest income	**134**	202
Other income from animations	**2,217**	-
Exchange gain, net	**-**	226
Gain on disposals of property, plant and equipment	**-**	18,171
Government grants	**2,686**	226
Net fair value gains on derivative financial instruments	**1,886**	-
Other income from car distributorship	**4,872**	16,158
Others	**1,285**	291
	13,250	35,357

6. OPERATING PROFIT/(LOSS)

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Operating profit/(loss) is arrived at after charging/(crediting):		
Allowance for impairment of film rights	**-**	10,000
Allowance for impairment of goodwill	**-**	54,000
Allowance for impairment of intangible assets	**-**	7,994
Amortisation of film rights	**3,043**	1,617
Amortisation of intangible assets	**1,027**	1,569
Amortisation of prepaid lease payments	**-**	58
Depreciation of property, plant and equipment	**2,415**	1,901
Fair value loss on derivative financial instruments	**-**	102
Property, plant and equipment written off	**262**	-
Write-down of inventories to net realisable value	**971**	29,434
Reversal of write-down of inventories	**(664)**	-
Defined contribution retirement benefits scheme contributions for employees	**880**	611
Other staff costs, including directors' emoluments	**39,017**	37,343
Total staff costs	**39,897**	37,954
Amount capitalised in inventories	**(9,298)**	(8,439)
Total staff costs charged to income statement	**30,599**	29,515

7. FINANCE COSTS

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on financial liabilities stated at amortised cost:		
- Bank loans and overdrafts wholly repayable within five years	**638**	30
- Effective interest expenses on convertible notes for the period *(Note 15)*	**9,130**	6,052
	9,768	6,082

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2008: 16.5%) on estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the locations in which the Group operates.

Income tax of certain subsidiaries of the Company in the PRC, is calculated at progressive rates ranging from 18% to 25% (six months ended 30 September 2008: 18% to 33%) on deemed profits calculated at 6% to 10% (six months ended 30 September 2008: 10%) on revenue in accordance with relevant tax regulations in the PRC.

南京鴻鷹動漫娛樂有限公司("Nanjing Hongying") is established in Nanjing High and Advanced Technological Industries Development Zone, of which Nanjing Hongying is exempted from the PRC Corporate Income Tax for the two years since 1 January 2007 and are thereafter entitled to a 50% relief from the PRC Corporate Income Tax for the following three years.

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong:		
- Tax for the period	**431**	2,583
- Over-provision in prior years	**(97)**	-
Overseas:		
- Tax for the period	**1,864**	3,801
	2,198	6,384
Deferred tax		
- Tax for the period	**-**	(256)
- Under-provision in prior years	**-**	49
- Attributable to changes in tax rates	**-**	159
	-	(48)
Total income tax expense	**2,198**	6,336

9. DIVIDENDS

The directors have determined that an interim dividend of HK0.5 cent per share (six months ended 30 September 2008: HK1.0 cent per share) amounting to HK$12,281,000 (six months ended 30 September 2008: HK$15,512,000) be payable on 18 January 2010 (six months ended 30 September 2008: 16 January 2009) to the shareholders of the Company whose names appear in the Register of Members on 18 December 2009 (six months ended 30 September 2008: 2 January 2009).

	Six months ended 30 September	
	2009	2008
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend to existing shareholders	**10,556**	15,512
Interim dividend to convertible notes holders*	**1,725**	-
	12,281	15,512

During the six months ended 30 September 2009, no dividend (six months ended 30 September 2008: Nil) was paid to shareholders as the final dividend for the immediate preceding financial year.

* Subsequent to 30 September 2009, certain convertible notes were exercised and 345,000,000 ordinary shares (the "New Shares") were issued. The holders of the New Shares were also entitled to an equivalent amount of interim dividend per share pursuant to the relevant provisions in the Company's Bye-laws. Accordingly, an interim dividend of approximately HK$1,725,000 was paid to the holders of the New Shares.

10. EARNINGS/(LOSS) PER SHARE

(a) Basic

The calculation of basic earnings/(loss) per share is based on the profit attributable to the owners of the Company of HK$35,659,000 for the six months ended 30 September 2009 (six months ended 30 September 2008: loss of HK$78,448,000) and the weighted average number of ordinary shares of 1,805,415,145 (six months ended 30 September 2008: 1,319,841,375) in issue during the period.

(b) Diluted

The calculation of diluted earnings per share is based on the adjusted profit attributable to the owners of the Company of HK$44,789,000 and the weighted average number of ordinary shares of 2,686,152,850 outstanding during the period, after adjusting for the effects of all dilutive potential ordinary shares.

The adjusted profit attributable to the owners of the Company is calculated based on the profit attributable to the owners of the Company for the six months ended 30 September 2009 of HK$35,659,000 as used in the calculation of basic earnings per share plus interest expenses on the convertible notes of HK$9,130,000.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 1,805,415,145 ordinary shares in issue during the period as used in the calculation of basic earnings per share plus the weighted average of 880,737,705 ordinary shares deemed to be issued at no consideration as if all the Company convertible notes had been converted.

The diluted loss per share for the six months ended 30 September 2008 was not presented as the potential ordinary shares had anti-dilutive effect on loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK$8,080,000 (six months ended 30 September 2008: HK$10,444,000), of which none of the additions was acquired upon acquisition on subsidiaries (six months ended 30 September 2008: HK$3,706,000).

12. GOODWILL

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Net carrying amount at beginning of the period/year	**597,334**	141,194
Acquisition of subsidiaries	**-**	580,679
Acquisition of additional interests in subsidiaries	**-**	2,707
Allowance for impairment of goodwill charged to profit or loss	**-**	(127,246)
Net carrying amount at end of the period/year	**597,334**	597,334

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating unit of comics and animations development of HK$16,655,000 (31 March 2009: HK$16,655,000) and trading of automobiles of HK$580,679,000 (31 March 2009: HK$580,679,000).

13. TRADE RECEIVABLES

The Group grants an average credit period ranging from 30 days to 90 days to its trade customers. An ageing analysis of trade receivables, based on the invoice dates, and net of impairment losses, is as follows:

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 - 30 days	**10,234**	7,876
31 - 60 days	**4,074**	3,377
61 - 90 days	**903**	1,571
Over 90 days	**7,600**	9,337
	22,811	22,161
Less: Trade receivables due over one year	**(1,108)**	-
Trade receivables due within one year	**21,703**	22,161

On 14 April 2009, the Group has entered into an agreement with one of major customers that HK$4,933,000 of the trade debts due from this customer is to be settled by 22 equal monthly installments. As at 30 September 2009, approximately HK$1,108,000 due from this customer is to be settled over one year from 30 September 2009.

14. TRADE PAYABLES

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

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 - 30 days	**7,405**	5,110
31 - 60 days	**3,187**	1,653
61 - 90 days	**1,836**	2,092
Over 90 days	**2,222**	4,088
	14,650	12,943

15. CONVERTIBLE NOTES

Convertible notes of the Group were issued on 26 June 2008 (the "Notes") upon completion of the acquisition of the exclusive entitlements to all of the economic benefits derived from the distributorships of Bentley cars, Lamborghini cars and Rolls-Royce cars and rights to control, manage and operate 北京美合振永汽車易有限公司 and 北京德特汽車貿有限公司. The Notes are convertible into 1,200,000,000 ordinary shares of the Company at a price of HK$0.22 (subject to pro-rata adjustments on capital structure changes), 4.0% interest bearing and will be matured on 26 June 2010 ("Maturity Date"). Unless previously converted, the Company will redeem the Notes on Maturity Date.

The convertible notes recognised in the balance sheet are calculated as follows:

	30 September 2009	31 March 2009
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Balance at beginning of the period/year	**183,668**	-
Issuance of the Notes	**-**	235,492
Conversion to shares of the Company	**(68,142)**	(60,141)
Effective interest expenses for the period/year *(Note 7)*	**9,130**	16,143
Interest paid	**(3,885)**	(7,826)
Balance at end of the period/year	**120,771**	183,668

During the six months ended 30 September 2009, the Notes at the principal amount of HK$650,000 were converted into ordinary shares of the Company and total number of ordinary shares converted was approximately 325,000,000.

Interest expenses on the Notes are calculated using the effective interest method by applying the effective interest rate of 10.1% to the liability component of the Notes.

Business review and outlook

Results

It was a milestone in the Group's history after its successful transformation into a luxury goods distributor after the completion of acquisitions of automobile distributorships of Bentley, Lamborghini and Rolls-Royce, a watch distributorship of Richard Mille in 2008 and another watch distributorship of DeWitt in April 2009 that allows the Group to fully consolidate their financial results since then onwards. The revenue of the Company for the six months ended 30 September 2009 of approximately HK$465.1 million represented a significant increase of approximately 107% compared to approximately HK$224.7 million recorded in the corresponding period in last year. Profit attributable to the owners of HK$35.7 million recorded which was a significant turnaround compared to the losses incurred in the last period. The sales of the luxury goods have been encouraging, particularly the luxury watches business, and a significant profit was resulted for the six months ended 30 September 2009 in our luxury goods division.

Automobile Distributorships

The performance of automobile distributorships remained strong during the six months ended 30 September 2009. During the current period, 70 Bentley automobiles, 14 Lamborghini automobiles and 11 Rolls-Royce automobiles were sold in Beijing comparing to 37 Bentley automobiles, 12 Lamborghini automobiles and 22 Rolls-Royce automobiles being sold in corresponding period in last year. Revenue derived from after sales service amounted to HK$24.2 million which represented 5 times of the amount generated for corresponding period in last year. At the same time, the gross profit margin of after sales service sharply improved from approximately 44.8% to 77.7%, resulting from the increased utilisation rate and efficiency of the service centre.

Watch Distributorship

During the current period, 29 pieces of Richard Mille watches and together with 43 pieces of DeWitt watches, after the acquisition of the distributorship in April 2009, were sold while 13 pieces of Richard Mille watches were sold in the corresponding period in last year. The gross profit margin improved from approximately 25.0% to 49.1% as a result of a number of high value special edition designed watches of DeWitt sold at a very good margin.

Comics and Animations Development

During the period, the Group published and sold 10 local Chinese comics on a weekly, bi-weekly or monthly basis and approximately 20 Japanese comics on a monthly basis.

During the period, animations subcontracting works of 65 episodes with around 1,430 minutes have been produced.

Financial review

Numbers and Remuneration of Employees

As at 30 September 2009, the Group has 610 employees (31 March 2009: 632, 30 September 2008: 685). Employees' cost charged to the condensed consolidated financial statements (including directors' emoluments) amounted to approximately HK$30.6 million for six months ended 30 September 2009 (six months ended 30 September 2009: HK$29.5 million). All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus.

There has been no change to the terms of the share option scheme adopted by the Company on 7 October 2002. No new share options were granted during the current period. No share options was exercised during the period and there were no outstanding share options granted to directors, employees, consultants, advisors, customers, shareholders or business associates as at 30 September 2009 (31 March 2009: Nil).

Liquidity and Financial Resources

The Group's total assets as at 30 September 2009 were approximately HK$932.8 million (31 March 2009: HK$879.2 million) which were supported by the shareholders' fund of HK$679.6 million (31 March 2009: HK$575.5 million). On the other hand, the Group has total liabilities of HK$249.2 million (31 March 2009: HK$300.2 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.

The Group had limited exposure to fluctuations in exchange rates and its borrowings, bank balances and cash were mainly denominated in Hong Kong dollars and Renminbi.

Capital Structure

During September and October 2009, convertible notes with principal amount of HK$71.5 million and HK$75.9 million were converted into 325,000,000 and 345,000,000 new ordinary shares of HK$0.002 each at HK$0.22 per share respectively.

The Group's gearing ratio computed as total borrowings over shareholders' fund was reduced to 19.8% as at 30 September 2009 (31 March 2009: 37.7%) and finance cost burden was lightened after the conversion of convertible notes.

Exposure to Foreign Exchange

The revenue of the Group is mainly denominated in Hong Kong dollars and Renminbi and the production cost and cost of sales are mainly denominated in Hong Kong dollars and Renminbi. Therefore, the Group is not exposed to any other material foreign currency exchange risk.

Charges on Assets

As at 30 September 2009, bank deposits of the Group with an aggregate carrying amount of approximately HK$5.4 million, (31 March 2009: HK$5.4 million) were pledged to secure general banking facilities granted to the Group.

PROSPECTS

On 28 October 2009, the Group issued a positive profit alert announcement to inform shareholders and potential investors that based on a preliminary assessment of the financial position of the Company and its subsidiaries, it is expected that interim results of the Group for the six months ended 30 September 2009 would record a turnaround. The Group is expected to post a significant profit, compared with a net loss of approximately HK$78.4 million for the same period in the previous financial year. Additionally, the Directors considered no further material impairment has been made on assets of the Group, including those related to the Group's comics and animations business in light of the current improving global economic conditions. Our board is pleased to report that interim profit recorded for the financial period ended 30 September 2009 is HK$35.7 million, representing a significant growth in the Group's performance.

During the period under review, certain registered holders of the convertible notes (the "CN") converted the CN with an aggregate principal amount of HK$71.5 million into 325 million ordinary shares of the Company in September 2009, while a further conversion of HK$75.9 million into 345 million ordinary shares of the Company in October 2009 resulted in strengthening the Group's financial position significantly by lowering the Group's gearing ratio and easing its interest burden.

The PRC's Luxury Goods Market

Supported by market researches related to the booming PRC's luxury goods market, our Group has reinforced its business strategy to establish a top-tier luxury goods empire in the PRC. As the effects of the economic crisis ripple across the global economy and demand for expensive products plummets, China is continuously on a spending spree for luxury goods and it is now the world's third-biggest consumer of luxury goods, accounting for 12% of sales worldwide, up from 1% just five years ago. If the trend continues as expected, China will surpass Japan to become the world's second-largest purchaser of luxury goods by 2015, accounting for 29% of global sales. (Source: Goldman Sachs Report, 2009). People who purchase luxury brands see the products as extensions of themselves everywhere, and this is taken very seriously especially in China. This further affirms the growing potential of our luxury brands market business and the establishment of a top-tier luxury goods empire in the PRC in our business vision.

According to a new report by global management consultants McKinsey & Company, by 2015, China is expected to have more than 4 million wealthy households, making it the world's fourth-largest country in terms of its number of wealthy households after the United States, Japan, and the United Kingdom. (Source: McKinsey & Company, Report on The Coming of Age – China's New Class of Wealthy Consumers 2009). And according to the Ministry of Commerce of the PRC government, since 1978, China's average annual increase is as high as 14.4%, which is about three times the global average level. With this growing speed, the share of China's luxury goods is predicted to dominate around 23% of the total global revenue by 2015. (Source: Ministry of Commerce, 2009).

Automobile Distributorships

The Group continued to progress and recorded stable automobile sales during this financial period despite the financial turmoil and implementation of a consumption tax on luxury cars in the PRC last year. Sales of Bentley, Lamborghini and Rolls-Royce recorded similar figures compared with the previous six-month financial period.

We are so excited to stress that profit from provision of after-sales services of this interim period was very strong. It reached HK$18.8 million, which leapt three times compared with the last financial year. The Group foresees after-sales income will continue to rise in upcoming financial periods and contribute greatly to our automobile distributorships business. Profit for the first nine months of 2009 of our automobile distributorships business was approximately HK$40 million, and we remain optimistic that, barring unforeseen circumstances, the profit guarantee of not less than HK$65 million for the year ending 31 December 2009 made by Mr. Qi Jian Hong, our single largest shareholder pursuant to the Formal Sales and Purchase Agreement mentioned in the circular dated 20 March 2008, is likely to be met thanks to the sales contracts pending delivery before the end of 2009.

Watch Distributorships

As mentioned in the Annual Report 2009, the Group is constantly seeking suitable super-deluxe brands to join our luxury goods portfolio. Right after the acquisition of a world-famous super deluxe branded watch from Geneva, Switzerland named "DEWITT" in April 2009 with its flagship store in the PRC to be opened in the first quarter of 2010, we are pleased to announce being appointed by another Swiss fine watch-making deluxe brand, "PARMIGIANI" to be its exclusive distributor in the PRC in September 2009. The term of agreement is for a period of five years and renewable for another five years, subject to mutual agreement of both parties.

The brand is founded in 1976 by Michel Parmigiani who set up his first workshop bearing his own name in Fleurier. We have already identified a prime location in Beijing for the brand's flagship store in the PRC to be opened in early 2010.

For the brands Richard Mille and DeWitt, the Group is glad to report the segment profit before income tax is approximately HK$24.0 million during this financial period, a fivefold increase from the last financial period. The figure is encouraging and further enhances our faith in expanding the luxury goods empire in the PRC market.

Jewelry Distributorships

There is even more exciting news. We are in the final phase of our "3.3.3" Business Model comprising ultra-luxury automobiles, super-deluxe branded watches and top-tier branded jewelry. In October 2009, the Group announced an agreement with the French high jewelry house, "BOUCHERON", to develop the brand's boutiques in the PRC. At the same time, we have already taken over its Shanghai store located in Plaza 66. The first flagship store is set to be established in a prime location in Beijing early next year.

Boucheron is famous for its artistically created diamond pieces, as well as nature-inspired motifs since it was founded in 1858 by Frédéric Boucheron. It is now under Gucci Group N.V., one of the world's leading multi-brand luxury goods companies. In the meantime, we are actively exploring more top-tier branded jewelry for the third phrase of "3.3.3" Business Model.

Comics and Animations Business

During the financial period, the Group's comics and animations business recorded a net loss of HK$4.5 million, compared with a net loss of HK$97.3 million for the same period last year. Turnover in comics and animations business has been dropping during the period under review and the Board is seriously considering re-evaluating its upcoming strategy for the business.

The Group is planning the pilot launch of the first 26 episodes of "Jackie Chan's Fantasia", its landmark international animation project, in the PRC in the first half of 2010.

Outlook

Thanks largely to the outstanding performance of our luxury goods business, the Board is pleased to declare an interim dividend of 0.5 cent per share to share the fruits of our success with our shareholders.

Due to the rebound of the local and Mainland economy where the PRC government is targeting an 8% growth for the year, the Group will focus on the expansion of its luxury goods distributorships business by continuing to explore more potential partners to enlarge our luxury goods empire in the PRC so as to secure promising returns for shareholders.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend in respect of the current period of HK0.5 cent (six months ended 30 September 2008: HK1.0 cent) per share. The interim dividend will be paid on 18 January 2010 to members whose name appears on the Register of the Members of the Company on 18 December 2009.

CLOSURE OF REGISTER OF MEMBER

The Register of Members of the Company will be closed from 15 December 2009 to 18 December 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch Share Registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 14 December 2009.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of the 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, shareholder and business associate. The Company's Scheme was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company held on 7 October 2002.

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.

CORPORATE GOVERNANCE

Compliance with the "Code on Corporate Governance Practices"

During the period, the directors are of the opinion that the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules ("CG Practices") throughout the six months ended 30 September 2009.

Compliance with the "Model Code"

The Company has adopted the Model Code for Securities Transactions by directors of Listed Companies ("Model Code") contained in Appendix 10 of the Listing Rules to govern securities transactions by the directors. After having made specific enquiry to all directors, all directors confirmed that they complied with the Model Code during the period.

Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Choy Sze Chung Jojo (Chairman of the Committee), Mr. Lam Kwok Cheong and Mr. Lee Kang Bor, Thomas with written terms of reference in line with the code provisions set out in the CG Practices. The Audit Committee has reviewed with management and the Company's auditors 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 2009 (the "Interim Financial Statements"). The Audit Committee is not aware of any material modifications that should have been made to the Interim Financial Statements for the six months ended 30 September 2009.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, namely, Mr. Lam Kwok Cheong (Chairman of the Committee), Mr. Choy Sze Chung Jojo, Mr. Lee Kang Bor, Thomas, 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 Kang Bor, Thomas (Chairman of the 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 Statements, 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 Statements 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 and the Company's website in due course.

By order of the Board
Tong Kai Lap
Chairman

Hong Kong, 20 November 2009

As at the date of this announcement, the Company has four executive Directors and three independent non-executive Directors. The executive Directors are Mr. Tong Kai Lap, Mr. Zheng Hao Jiang, Mr. Zhao Xiao Dong and Mr. Wong Chun Keung. The independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Lee Kang Bor, Thomas.

* *For identification purpose only*