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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)

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF SUBSIDIARIES

Financial adviser to the Company

AmCap
Ample Capital Limited
豐盛融資有限公司

The Board is pleased to announce that the Company, the Purchaser and the Guarantors have concluded the negotiations in relation to the Disposal and the parties thereto have entered into the S&P Agreement on 30 September 2010 (after trading hours). Under the S&P Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares at the Consideration of HK$30,000,000.

Dr. Wong is (i) a brother-in-law of Mr. Tong, an executive Director; (ii) a brother of Mr. Wong, a former executive Director who resigned on 14 December 2009; and (iii) the Chief Creative Officer of the Group's comics business. By reason of Dr. Wong's relationship with Mr. Tong and Mr. Wong, Dr. Wong and the Purchaser are Connected Persons of the Company pursuant to Chapter 14A of the Listing Rules.

* *for identification purpose only*

The JDMM Disposal and the Disposal are aggregated for the purpose of Rules 14A.25 and 14A.26 of the Listing Rules. After aggregation of the JDMM Disposal and the Disposal, (i) certain applicable percentage ratios are 5% or more but less than 25%; and (ii) the Consideration is more than HK$10,000,000. Accordingly, the Disposal constitutes (i) a discloseable transaction under Chapter 14 of the Listing Rules; and (ii) a connected transaction subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Purchaser, the Guarantors and their respective associates will abstain from voting on the resolution(s) to approve the Disposal at the SGM.

A circular containing, amongst others, (i) further information on the Disposal; (ii) the recommendation from the Independent Board Committee in respect of the Disposal; (iii) the advice from the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (iv) a notice of the SGM, will be despatched to the Shareholders as soon as practicable and in any event no later than 22 October 2010.

INTRODUCTION

Reference is made to the Announcement in relation to the conclusion of the Tender on 10 September 2010. The Board is pleased to announce that the Company, the Purchaser and the Guarantors have concluded the negotiations in relation to the Disposal and the parties thereto have entered into the S&P Agreement on 30 September 2010 (after trading hours). Under the S&P Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares.

THE DISPOSAL

Date of the S&P Agreement

30 September 2010

Parties

Vendor:	the Company
Purchaser:	Jade Sparkle Holdings Limited, a company incorporated in BVI which is beneficially owned as to 75% and 25% by Dr. Wong and Mr. Liu respectively
Guarantors:	Dr. Wong and Mr. Liu as the guarantors of the Purchaser's obligations

Dr. Wong and the Purchaser are Connected Persons of the Company. Pursuant to the S&P Agreement, the Guarantors irrevocably and unconditionally guarantee to the Company the due performance by the Purchaser of all its obligations and liabilities under the S&P Agreement.

Asset to be disposed of

The Sale Shares, representing the entire issued share capital of JDH.

Consideration

The Consideration of HK$30,000,000 shall be paid by the Purchaser in cash by 2 installments in the amounts and on the dates set forth below:

(i) as to HK$10,000,000 to be paid upon Completion of the S&P Agreement; and

(ii) as to HK$20,000,000 to be paid on or before 22 December 2010.

The Consideration was determined through arm's length negotiations between the Company and the Purchaser with reference to (i) the unaudited consolidated net assets of JDH of approximately HK$30,450,000 as at 31 August 2010; (ii) the unaudited net loss of JDH of approximately HK$15,589,000 during the five months ended 31 August 2010; and (iii) unsatisfactory results of the JDH Group and the expected need for additional funding for its operations as mentioned in the section headed "Reasons for and benefits of the Disposal".

Conditions precedent

Completion is conditional upon:

(i) the passing at the SGM of an ordinary resolution to approve the S&P Agreement and all the transactions contemplated thereunder by the Independent Shareholders as required by the Listing Rules; and

(ii) the obtaining by the Company of all necessary consents, authorizations or other approvals (or, as the case may be, the relevant waiver) of any kind in connection with the entering into and performance by the Company of the terms of the S&P Agreement which may be required under the Listing Rules or from the Shareholders, the Stock Exchange, any regulatory authority, any relevant governmental agencies or other third parties.

None of the aforementioned conditions precedent can be waived by the parties to the S&P Agreement. If any of the conditions precedent cannot be fulfilled by 5:00 p.m. on 22 December 2010 (or such later date and time as may be agreed by the parties thereto in writing), the S&P Agreement shall lapse.

Completion

Completion shall take place on the 5th business day after the fulfillment of all of the conditions precedent or such other date as may be agreed by the parties thereto in writing.

Upon Completion, the Group will cease to have any interest in the JDH Group and itself and its group companies will cease to be subsidiaries of the Company.

The Security Deed

At Completion, the Deferred Consideration, being the balance of Consideration in the amount of HK$20,000,000, will be owing by the Purchaser to the Company. The Purchaser's obligation to pay the Deferred Consideration will be secured by the Security Deed to be executed by the Purchaser and JDH in favour of the Company creating a first fixed charge over the Sale Shares. Until full settlement of the Consideration, the Company has right to appoint director(s) on the boards of members of the JDH Group such that the Company's representatives shall constitute a majority of the directors of each member of the JDH Group.

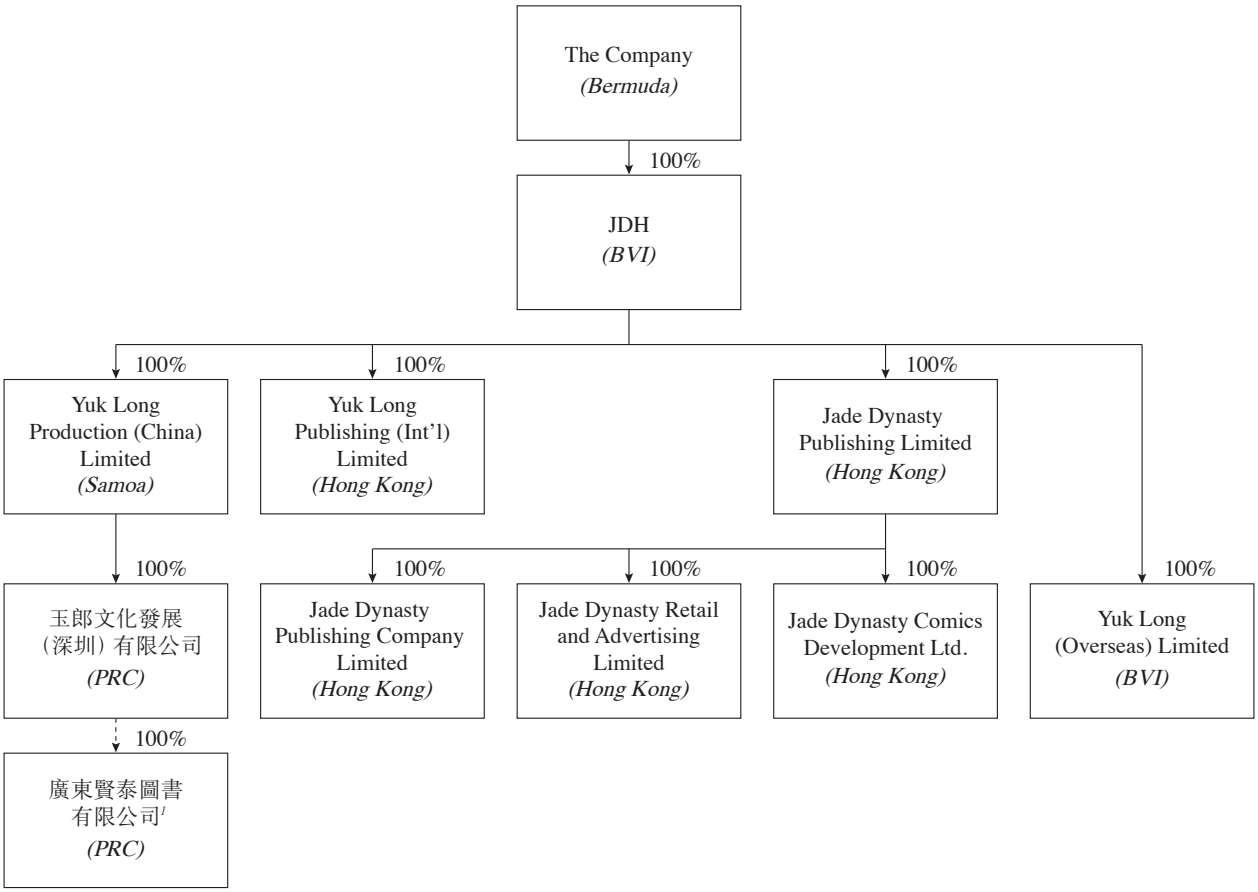
Return of JDH to the Company upon the Purchaser's Payment Default

It is a term of the S&P Agreement that if the Purchaser shall fail to make full payment of the Deferred Consideration when due, the Purchaser shall within 2 business days of the due date re-transfer to the Company the Sale Shares, being the entire issued share capital in JDH, at no costs to the Company and return to the Company the management and control in the JDH Group. In addition the Purchaser and the Guarantors shall execute a deed of indemnity in favour of the Company and members of the JDH Group in respect of all liabilities and obligations incurred or sustained by the JDH Group during the period commencing from the date of Completion and ending upon the date of return of ownership and control in the JDH Group to the Company.

Upon due compliance by the Purchaser of its obligations to the Company under the S&P Agreement to return ownership and control in the JDH Group, the Company shall make a partial refund of the first installment of the Consideration in the amount of HK$5,000,000 to the Purchaser in cash but without interest. The remainder of the first installment of the Consideration not refunded to the Purchaser shall be forfeited to the Company as and for liquidated damages for the Purchaser's default in failing to make payment of the Deferred Consideration. Upon such forfeiture, the Company shall have no further claims on the Purchaser for the Deferred Consideration.

Information on the JDH Group

JDH is a company incorporated in the BVI with limited liability. The JDH Group is principally engaged in comics development in Hong Kong and the PRC. The group structure of the JDH Group as at the date of this announcement is as follows:



Note:

1. This company is indirectly held by JDH through certain contractual arrangements.

	For the year ended 31 March	
	2010	**2009**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue	88,779	94,464
(Loss)/profit before taxation and extraordinary item	14,074	(65,237)
(Loss)/profit after taxation and extraordinary item	14,007	(67,149)

For the year ended 31 March 2010, JDH's comics business generated pre-tax profit of approximately HK$14.0 million which includes a gain of approximately HK$15.0 million from the disposal of certain intellectual property rights of the comics library. According to the unaudited management accounts of JDH, its unaudited consolidated net assets were approximately HK$30,450,000 as at 31 August 2010, inclusive of the Remaining Balance, being the balance of consideration owing by the Purchaser to JDH in connection with the JDMM Disposal in the amount of HK$40,000,000 as at the date of this announcement. The Purchaser has previously acquired from the Company the entire issued share capital in JDMM and related loan under the JDMM Disposal which was completed on 27 April 2010. The agreed consideration for the JDMM Disposal payable by the Purchaser was HK$67,000,000. As at the date of this announcement, the aforesaid consideration was settled by the Purchaser according to the agreed schedule, while the Remaining Balance of HK$40,000,000 is to be paid on or before 31 December 2010. On 29 September 2010 the Company assigned the Remaining Balance to JDH to eliminate an intra-group balance due from the Company to JDH in the same amount.

Information on the Group

The Group is principally engaged in (i) trading of luxury automobiles, watches and jewellery in the PRC (excluding Hong Kong and Macau) and trading of fine wines in the PRC (including Hong Kong and Macau); and (ii) comics development.

Information on the Purchaser

The Purchaser is a company incorporated in BVI which is beneficially owned as to 75% and 25% by Dr. Wong and Mr. Liu respectively. The principal activity of the Purchaser is investment holding and animations development through the ownership in JDMM.

Reasons for and the benefits of the Disposal and use of proceeds

Reference is made to the Company's circular dated 31 March 2010 in relation to the JDMM Disposal which was completed on 27 April 2010. As stated in the Company's annual report for the year ended 31 March 2010, the PRC is expected to become the world's largest market for luxury goods in five years. The PRC's luxury goods market is currently the world's second largest, just behind the United States. The market in the PRC was valued at US$9.4 billion at the end of 2009, which accounted for 27.5% of the world's luxury goods market. It is forecasted to reach US$14.6 billion by the end of 2015 according to a report issued by the Ministry of Commerce of the PRC. The sales of luxury goods by the Group have experienced significant growth, particularly in the luxury watches business which saw its pre-tax profit increased by four times compared to the previous financial year. The Group also reported higher revenue from its luxury cars business during the year ended 31 March 2010.

In comparison, JDH's comics business recorded a net loss of approximately HK$15.6 million during the five months ended 31 August 2010.

Having considered: (i) the unsatisfactory performance of the JDH Group during the two years ended 31 March 2009 and 2010; (ii) JDH is expected to require further funding in the future due to its loss making position; and (iii) the Disposal would allow the Group to dispose of a loss-making and non-core business therefore allowing the Group to focus its resources and apply the proceeds from the Disposal on its principal business of trading of luxury goods, the Board (including the independent non-executive Directors) is of the view that the terms of the S&P Agreement are fair and reasonable and are on normal commercial terms and the Disposal is in the interests of the Company and the Shareholders as a whole.

The net sale proceeds of the Disposal, after deducting all related expenses, is expected to be approximately HK$29.5 million and are intended to be applied as the Group's general working capital and to fund the Group's development in the luxury goods business.

Financial effects of the Disposal

Subject to review by the Company's auditors, the Group is expected to record an unaudited gain of approximately HK$0.5 million from the Disposal calculated with reference to the Consideration and the estimated net asset value of JDH at Completion.

GENERAL

Dr. Wong is (i) a brother-in-law of Mr. Tong, an executive Director; (ii) a brother of Mr. Wong, a former executive Director who resigned on 14 December 2009; and (iii) the Chief Creative Officer of the Group's comics business. By reason of Dr. Wong's relationship with Mr. Tong and Mr. Wong, Dr. Wong and the Purchaser are Connected Persons of the Company pursuant to Chapter 14A of the Listing Rules.

The JDMM Disposal and the Disposal are aggregated for the purpose of Rules 14A.25 and 14A.26 of the Listing Rules. After aggregation of the JDMM Disposal and the Disposal, (i) certain applicable percentage ratios are 5% or more but less than 25%; and (ii) the Consideration is more than HK$10,000,000. Accordingly, the Disposal constitutes (i) a discloseable transaction under Chapter 14 of the Listing Rules; and (ii) a connected transaction subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Purchaser, the Guarantors and their respective associates will abstain from voting on the resolution(s) to approve the Disposal at the SGM.

A circular containing, amongst others, (i) further information on the Disposal; (ii) the recommendation from the Independent Board Committee in respect of the Disposal; (iii) the advice from the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (iv) a notice of the SGM, will be despatched to the Shareholders as soon as practicable and in any event no later than 22 October 2010.

DEFINITIONS

The following terms have the following meanings in this announcement, unless the context otherwise requires:

"Announcement"	the Company's announcement dated 10 September 2010 in relation to the conclusion of the Tender
"Board"	the board of Directors
"BVI"	British Virgin Islands

"Company"	Sparkle Roll Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Completion"	completion of the S&P Agreement
"Connected Person(s)"	has the meaning ascribed thereto in the Listing Rules
"Consideration"	the consideration of the Disposal in the amount of HK$30,000,000
"Deferred Consideration"	the balance of the Consideration for the Disposal in the amount of HK$20,000,000 to be paid by the Purchaser to the Company on or before 22 December 2010
"Disposal"	the disposal of the Sale Shares under the S&P Agreement
"Dr. Wong"	Dr. Wong Chun Loong（黃振隆）, a 75% owner of the Purchaser and a Connected Person of the Company
"Directors(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Guarantors"	Dr. Wong and Mr. Liu
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"Independent Board Committee"	an independent committee of the Board to be established to advise the Independent Shareholders with regard to the Disposal
"Independent Third Party(ies)"	parties independent of and not connected to the Company, the Directors, chief executives or substantial Shareholders of the Company or their associates

"Independent Shareholder(s)"	Shareholders other than the Purchaser, the Guarantors and their respective associates who do not have any material interest in the Disposal
"JDH"	Jade Dynasty Holdings Limited, a company incorporated in the BVI, a direct wholly owned subsidiary of the Company and the subject of the Disposal
"JDH Group"	JDH and its subsidiaries
"JDMM"	Jade Dynasty Multi-Media Limited, a company incorporated in Samoa, formerly an indirect wholly owned subsidiary of the Company (through JDH) disposed to the Purchaser under the JDMM Disposal
"JDMM Disposal"	the sale by the Company to the Purchaser of the entire issued share capital in JDMM and certain loan due from JDMM to JDH pursuant to the terms of the JDMM Disposal Agreement (completed on 27 April 2010), the details of which were set out in the Company's announcement and circular dated 12 and 31 March 2010 respectively
"JDMM Disposal Agreement"	the sale and purchase agreement dated 11 March 2010 and entered into between the Company, the Purchaser and the Guarantors in relation to the JDMM Disposal
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange
"Mr. Liu"	Mr. Liu Qiang（劉強）, a 25% owner of the Purchaser
"Mr. Tong"	Mr. Tong Kai Lap, an executive Director of the Company
"Mr. Wong"	Mr. Wong Chun Keung, a former executive Director of the Company who resigned with effect on 14 December 2009

"PRC"	the People's Republic of China
"Purchaser"	Jade Sparkle Holdings Limited, a company incorporated in the BVI which is beneficially owned as to 75% and 25% by Dr. Wong and Mr. Liu respectively and a Connected Person of the Company
"Remaining Balance"	the unpaid balance of consideration for the JDMM Disposal owing by the Purchaser to JDH in the amount of HK$40,000,000 as at the date of this announcement
"S&P Agreement"	the conditional sale and purchase agreement dated 30 September 2010 entered into by the Company, the Purchaser and the Guarantors in relation to the Disposal
"Sale Shares"	1,000,000 shares of US$0.01 par value each in the issue share capital of JDH, representing 100% of its issued share capital to be sold under the Disposal
"Samoa"	the Independent State of Samoa
"Security Deed"	the security deed to be executed by the Purchaser and JDH in favour of the Company at Completion creating a first fixed charge over the Sale Shares as security for the Purchaser's obligation to pay the Deferred Consideration
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Disposal
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) of HK$0.002 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Tender"	the private tender by the Company's invitation in respect of the bid for the Sale Shares concluded on 10 September 2010
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"%"	per cent

By order of the Board of
Sparkle Roll Group Limited
Zheng Hao Jiang
Chief Executive Officer

Hong Kong, 30 September 2010

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 Kang Bor, Thomas.