

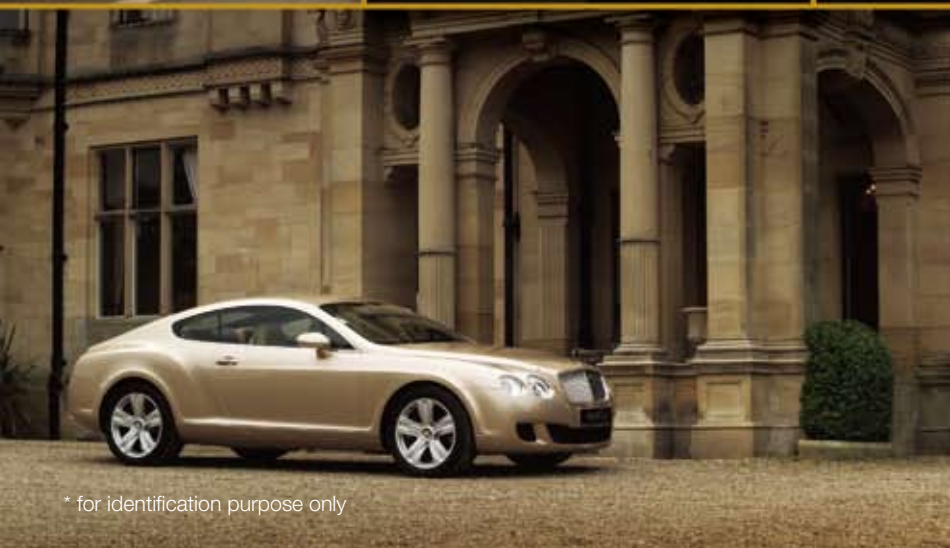


耀萊集團有限公司*
SPARKLE ROLL GROUP LTD

(Incorporated in Bermuda with limited liability)
(Stock Code: 970)



Interim Report · 2008



* for identification purpose only

**SPARKLE ROLL GROUP LIMITED
INTERIM REPORT 2008**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tong Kai Lap (*Chairman*)
Zheng Hao Jiang
(*Deputy Chairman and Chief Executive Officer*)
Zhao Xiao Dong* (*Deputy Chairman*)
Wong Chun Keung
Choy Sze Chung Jojo**
Lam Kwok Cheong**
Lee Kang Bor Thomas**

* *Non-executive Director*

** *Independent Non-executive Director*

AUDIT COMMITTEE

Choy Sze Chung Jojo (*Chairman*)
Lam Kwok Cheong
Lee Kang Bor Thomas

REMUNERATION COMMITTEE

Lam Kwok Cheong (*Chairman*)
Choy Sze Chung Jojo
Lee Kang Bor Thomas
Tong Kai Lap
Zheng Hao Jiang

AUTHORISED REPRESENTATIVES

Tong Kai Lap
Zheng Hao Jiang

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Chan Ka Kit

PRINCIPAL BANKERS

Bank of East Asia Limited
Hang Seng Bank Limited
Chong Hing Bank Limited

AUDITORS

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church House
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

Room 2028-36
Sun Hung Kai Centre
30 Harbour Road
Wan Chai
Hong Kong

REGISTRARS (IN HONG KONG)

Tricor Secretaries Limited
26th Floor Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

STOCKCODE

970

WEBSITE

<http://www.hk970.com>

SPARKLE ROLL GROUP LIMITED

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The revenue of the Group for the six months ended 30 September 2008 of approximately HK\$224.7 million represented a significant increase of approximately 307% compared to approximately HK\$55.2 million recorded in the corresponding period of last year. The significant increase in turnover was a result of the completion of acquisition of automobile dealerships of Bentley, Lamborghini and Rolls-Royce and watch dealership of Richard Mille in June and July 2008, respectively. However, in view of the currently deteriorating economic conditions around the globe, impairments have been made on certain assets of the Group which are related to the Group's comics and multimedia businesses including: (i) goodwill; (ii) copyrights; (iii) film rights; and (iv) work-in-progress. As a result of the aggregate impairment losses of approximately HK\$101.5 million, a net loss of HK\$78.4 million was resulted for the six months ended 30 September 2008.

OPERATIONAL REVIEW

Automobile Dealerships

On 26 June 2008, the Group has completed the acquisition of the exclusive entitlements to all of the economic benefits derived from the dealerships of Bentley cars, Lamborghini cars and Rolls-Royce cars and rights to control, manage and operate Beijing Mei He Zhen Yong Motors Trading Limited and Beijing De Te Motors Trading Limited and 37 Bentley automobiles, 12 Lamborghini automobiles and 22 Rolls-Royce automobiles were sold in Beijing since then and up to 30 September 2008. From 1 January 2008 to 25 June 2008 inclusive, 48 Bentley cars, 17 Lamborghini cars and 25 Rolls-Royce cars were sold in Beijing and the profit derived from which were accounted to the Group.

Watch Dealership

On 9 July 2008, the Group has acquired the dealership of Richard Mille watches and on 8 August 2008, the Group has acquired the Shanghai Richard Mille Shop. 13 pieces of watches were sold since then and up to 30 September 2008.

Comic Publications

During the period, the Group published and sold 10 local Chinese comics on a weekly, bi-weekly or monthly basis and approximately 23 Japanese comics on a monthly basis.

Multimedia Development

During the period, multimedia development is continuously developing.

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NUMBERS AND REMUNERATION OF EMPLOYEES

As at 30 September 2008, the Group has 685 employees (31 March 2008: 663, 30 September 2007: 222). Employees' cost charged to the condensed consolidated financial statements (including directors' emoluments) amounted to approximately HK\$29.5 million for six months ended 30 September 2008 (six months ended 30 September 2007: HK\$19.3 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 and business associates as at 30 September 2008 (31 March 2008: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 30 September 2008 were approximately HK\$1,088.6 million (31 March 2008: HK\$411.8 million) which were financed by the shareholders' fund and total liabilities of HK\$656.2 million (31 March 2008: HK\$351.5 million) and HK\$427.3 million (31 March 2008: HK\$52.9 million) respectively.

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

On 26 June 2008, 400,000,000 new ordinary shares together with convertible notes of principal amount of HK\$264.0 million were issued as consideration to a vendor for the acquisition of subsidiaries. Among which, convertible notes with principal amount of HK\$14.3 million were converted into 65.0 million new ordinary shares of HK\$0.002 each at HK\$0.22 per share.

The Group's gearing ratio computed as total borrowings over shareholders' fund was 35.7% as at 30 September 2008 (31 March 2008: 0.3%).

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EXPOSURE TO FOREIGN EXCHANGE

The revenue of the Group is mainly denominated in Hong Kong dollars and Renminbi and the production cost is 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 2008, certain assets of the Group with an aggregate carrying amount of approximately HK\$3.3 million, (31 March 2008: HK\$18.6 million) represented by pledged deposits of HK\$3.3 million (31 March 2008: pledged deposits of HK\$4.4 million, together with buildings and prepaid lease payments of HK\$14.2 million), were pledged to secure general banking facilities granted to the Group.

PROSPECTS

In face of worsened market conditions, we have issued a profit warning statement dated 12 November 2008 to alert our shareholders and potential investors to expect that the interim results would experience a significant deterioration as compared with the same period in the prior financial year and a net loss. In spite of that, the Group has taken a prudent approach and decided to write down certain assets by approximately HK\$101.5 million related to our comics and multimedia businesses including goodwill, intangible assets comprising comic books royalty as well as intellectual properties, animations work-in-progress and film rights. As the aforementioned impairment losses were non-cash in nature, the Group's cash flow condition remains sound and unaffected. In fact, as at 30 September 2008, the Group has ample net cash balance in the amount of HK\$112.8 million, including cash proceeds of HK\$32.0 million generated from disposals of the industrial premises in Hong Kong owned by the Group for comics and animations production to an independent third party under a sale-and-leaseback arrangement with a 3-year lease.

Asian economies ease substantially as a global slowdown erodes demand for their exports, consumer confidence falters and banks restrain lending amid the credit crunch. Worries about a deep and prolonged global recession clouded the economy and dampened the market sentiment.

The Board nevertheless remains optimistic about the luxury market in the PRC, as the appetites for luxury goods of the emerging riches are not seriously affected by financial crisis triggered by the US. The PRC government still has room to ease monetary policy to stabilise financial conditions and provide support to address downside risks.

SPARKLE ROLL GROUP LIMITED INTERIM REPORT 2008

During the period under review, the Group continually made solid progress in the luxury goods business in the PRC after the Group's pivotal expansion in the luxury goods market in the PRC in the year 2008. Comprehensive business plans were in place to further drive up sales of the world-class branded goods and invite more top-notch brands to join our alliance.

The luxury car dealerships business has attained remarkable growth and became the Group's major profit engine during the financial period as it contributed over 80% of the Group's profit before provision. In face of expected economic slowdown and erosion of consumer confidence, putting the worst scenario in consideration, the Group is placed at a sure-win position with the profit guarantee of not less than HK\$55.0 million and HK\$65.0 million for the two years ending 31 December 2008 and 2009 respectively as provided in the Formal Sales and Purchase Agreement mentioned in the circular dated 20 March 2008 (the "Agreement"). That said, subject to audit, the Group recognised in the total amount of HK\$31 million representing pre-acquisition profit from the single largest shareholder Mr. Qi's companies in accordance with the terms of the Agreement, the amount of which has been attributed to the Group by enhancing the net asset value. We are also pleased to acknowledge a post-acquisition profit of around HK\$19.3 million.

The Group will continue to put effort to expand luxury goods distributorship business. It will continue to further identify other luxury brand dealerships opportunities to strengthen the position as a leading luxury goods distributor in the PRC and tap a diversified range of luxury goods for higher profitability. On top of the dealerships of the three luxury car brands- Bentley, Lamborghini and Rolls-Royce, it has in July 2008 acquired the dealership of a super deluxe branded watch "RICHARD MILLE" and became its exclusive dealer in the PRC for 5 years with an option to renew for another 3 years. On 8 August 2008, the Group's indirect wholly owned subsidiary, Sparkle Roll Watch & Jewelry Limited ("Sparkle Roll Watch & Jewelry"), entered into the sale and purchase agreement and license agreement with Richard Mille (Asia) Limited. Under the sale and purchase agreement, Sparkle Roll Watch & Jewelry purchased the entire registered capital of Richard Mille (Shanghai) Trading Company Limited at an aggregate consideration of HK\$5 million. Under the license agreement, Sparkle Roll Watch & Jewelry has also been granted an exclusive and non-transferable license to use the intellectual property, which consists of the "RICHARD MILLE" trademark, brand, logos and designs, in the PRC at a one-time royalty in the amount of HK\$6 million. Since then, the Group has commenced the dealership operations of the "RICHARD MILLE" branded watches starting from Shanghai and Beijing. The Group has just signed a lease agreement with European-style 5-star hotel namely Legendale Hotel Wangfujing Beijing that situated in Jinbao Street in the capital city, a renowned top class hotel in Beijing for opening the flagship boutique under the brand name of "RICHARD MILLE" in or about the first quarter of 2009.

Our international animations landmark project, Jackie Chan Animations is in full gear and the first 26 episodes of "Jackie Chan's Fantasia" is possible to be launched in the near future.

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The entire series of the 52 episodes of the Group's signature animations "Shen Bing Kids" have been widely broadcasted in national channels throughout the PRC with excellent audience ratings. The Group considered producing additional 52 episodes in view of the positive viewing rating.

The Group's comics publications business has recorded deficit during the financial period under review due to a continuous increase in books return rate.

Adhering to the Group's stable dividend policy, the Board is pleased to declare an interim dividend of one cent per share for year 2008 which is the highest in recent years to share the fruits of our success with our shareholders.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend in respect of the current period of HK1.0 cent (six months ended 30 September 2007: HK0.2 cent) per share. The interim dividend will be paid on 16 January 2009 to members whose name appears on the Register of the Members of the Company on 2 January 2009.

CLOSURE OF REGISTER OF MEMBER

The Register of Members of the Company will be closed from 31 December 2008 to 2 January 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 30 December 2008.

**SPARKLE ROLL GROUP LIMITED
INTERIM REPORT 2008**



Grant Thornton
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Member of Grant Thornton International Ltd

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF SPARKLE ROLL GROUP LIMITED

(Formerly known as Jade Dynasty Group Limited)

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 10 to 36 which comprises the condensed consolidated balance sheet of Sparkle Roll Group Limited as of 30 September 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited require the preparation of a report on an interim financial report in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

Grant Thornton

Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen’s Road Central
Hong Kong

5 December 2008

SPARKLE ROLL GROUP LIMITED
INTERIM REPORT 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Notes	Six months ended 30 September	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Revenue	4	224,730	55,197
Cost of sales		(237,386)	(38,616)
Gross (loss)/profit		(12,656)	16,581
Other revenue and gains	5	35,357	1,290
Selling and distribution costs		(10,613)	(1,835)
Administrative expenses		(15,980)	(6,618)
Other operating expenses		(62,223)	–
Operating (loss)/profit	6	(66,115)	9,418
Finance costs	7	(6,082)	(135)
(Loss)/profit before income tax		(72,197)	9,283
Income tax expense	8	(6,336)	(1,410)
(Loss)/profit for the period		(78,533)	7,873
Attributable to:			
Equity holders of the Company		(78,448)	7,875
Minority interests		(85)	(2)
		(78,533)	7,873
Dividends	9	15,512	2,169
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period	10		
– Basic		HK(5.9) cents	HK0.8 cent
– Diluted		N/A	HK0.8 cent

SPARKLE ROLL GROUP LIMITED
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CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Notes	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	16,825	13,591
Prepaid lease payments		–	8,184
Goodwill	12	673,625	141,194
Other intangible assets	13	6,814	10,551
Deferred tax assets	14	3,786	4,388
Deposits		–	50,000
		701,050	227,908
Current assets			
Prepaid lease payments		–	174
Inventories		70,692	59,874
Film rights		35,067	46,307
Trade receivables	15	16,578	19,729
Deposits, prepayments and other receivables		100,944	23,004
Amounts due from related companies		41,345	–
Derivative financial instruments		1,597	2,428
Tax recoverable		588	775
Pledged bank deposits		3,312	4,406
Cash at banks and in hand		117,432	27,172
		387,555	183,869
Current liabilities			
Trade payables	16	16,491	9,943
Receipts in advance, accrued charges and other payables		160,911	35,687
Amount due to a shareholder		510	–
Derivative financial instruments		1,589	2,317
Provision for tax		10,023	1,180
Bank borrowings	17	7,929	930
		197,453	50,057
Net current assets		190,102	133,812
Total assets less current liabilities		891,152	361,720

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		30 September 2008	31 March 2008
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current liabilities			
Other payables		3,762	2,148
Deferred tax liabilities	14	36	686
Convertible notes	18	226,018	–
		229,816	2,834
		661,336	358,886
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	19	3,102	2,172
Reserves		653,075	349,278
		656,177	351,450
Minority interests		5,159	7,436
Total equity		661,336	358,886



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Equity attributable to the equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Special reserve* HK\$'000	Contributed surplus** HK\$'000	Exchange reserve HK\$'000	Proposed final dividends HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2007	1,865	111,190	24	(36,810)	49,394	34	2,081	116,482	244,260	2,443	246,703
Exchange difference on translation of overseas operations recognised directly in equity	-	-	-	-	-	(59)	-	-	(59)	-	(59)
Profit/(loss) for the period	-	-	-	-	-	-	-	7,875	7,875	(2)	7,873
Total recognised income and expense for the period	-	-	-	-	-	(59)	-	7,875	7,816	(2)	7,814
Issue of shares upon conversion of convertible notes	16	3,984	(17)	-	-	-	-	-	3,983	-	3,983
Placing of shares	200	75,800	-	-	-	-	-	-	76,000	-	76,000
Expenses of issue of shares	-	(2,906)	-	-	-	-	-	-	(2,906)	-	(2,906)
Final dividends paid for the year ended 31 March 2007	-	-	-	-	-	-	(2,081)	-	(2,081)	-	(2,081)
At 30 September 2007 (Unaudited)	2,081	188,068	7	(36,810)	49,394	(25)	-	124,357	327,072	2,441	329,513
At 1 April 2008	2,172	213,630	-	(36,810)	49,394	2,166	-	120,898	351,450	7,436	358,886
Exchange difference on translation of overseas operations recognised directly in equity	-	-	-	-	-	840	-	-	840	-	840
Loss for the period	-	-	-	-	-	-	-	(78,448)	(78,448)	(85)	(78,533)
Total recognised income and expense for the period	-	-	-	-	-	840	-	(78,448)	(77,608)	(85)	(77,693)
Arising from acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	(2,192)	(2,192)
Issue of shares upon acquisition of subsidiaries	800	219,200	-	-	-	-	-	-	220,000	-	220,000
Issue of convertible notes	-	-	149,579	-	-	-	-	-	149,579	-	149,579
Issue of shares upon conversion of convertible notes	130	20,728	(8,102)	-	-	-	-	-	12,756	-	12,756
At 30 September 2008 (Unaudited)	3,102	453,558	141,477	(36,810)	49,394	3,006	-	42,450	656,177	5,159	661,336

* The special reserve of the Group represents the difference between the nominal amount of the shares of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the shares issued for the acquisition under a group re-organisation in 1997.

** Pursuant to a special resolution passed at the annual general meeting of the Company on 10 August 2004, the Company reduced its share premium by an amount of approximately HK\$286,300,000 in accordance with the provisions of section 46 of the Bermuda Companies Act 1981 and transferred the same amount to the contributed surplus account of the Company. On the same date, the Company applied an amount of approximately HK\$236,906,000 from the contributed surplus account against the accumulated losses. The remaining balance of the contributed surplus amounted to HK\$49,394,000.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	99,062	(3,709)
Net cash (used in)/generated from investing activities	(13,443)	600
Net cash generated from financing activities	4,279	71,541
Net increase in cash and cash equivalents	89,898	68,432
Cash and cash equivalents at beginning of the period	27,092	3,930
Effect of foreign exchange rate changes	442	(59)
Cash and cash equivalents at end of the period	117,432	72,303
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	117,432	72,941
Bank overdrafts	-	(638)
Cash and cash equivalents at end of the period	117,432	72,303



SPARKLE ROLL GROUP LIMITED INTERIM REPORT 2008

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

1. GENERAL INFORMATION

Sparkle Roll Group Limited (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 “Stock Exchange”).

The principal activities of the Company and its subsidiaries (collectively, the “Group”) are the publications and distributions of comic books and multimedia development in Hong Kong and the People’s Republic of China, excluding Hong Kong and Macau (the “PRC”). In the current period, the Group has commenced a business of the dealership of luxury goods, mainly automobiles in the PRC and watches in Hong Kong and the PRC.

On 26 August 2008, the Company announced that the name of the Company has been changed from “Jade Dynasty Group Limited 玉皇朝集團有限公司” to “Sparkle Roll Group Limited 耀萊集團有限公司” with effect from 27 August 2008.

The condensed consolidated financial statements on pages 10 to 36 (the “Interim Financial Report”) have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Report do not include all of the information required for full annual financial statements and thereby should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2008. The Interim Financial Report of the Group are unaudited and have been reviewed by the Company’s Audit Committee.

2. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Report have been prepared under the historical cost convention except for certain financial assets and financial liabilities which are stated at fair values. The Group has adopted all the new and amended standards and Interpretations (“New HKFRSs”) issued by the HKICPA which are first effective during the period and relevant to the Group. The adoption of the New HKFRSs did not result in significant changes in the Group’s accounting policies. Save as the above, the principal accounting policies adopted in the Interim Financial Report are consistent with those followed in the preparation of the financial statements for the year ended 31 March 2008.

SPARKLE ROLL GROUP LIMITED INTERIM REPORT 2008

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has not early adopted the new and amended standards and interpretations that have been issued but are not yet effective. The directors of the Company is currently assessing the impact of these new or amended HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 (Amendment)	Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurements – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combination – Comprehensive Revision on Applying the Acquisition Method ³
HKFRS 7 (Amendment)	Financial Instruments: Disclosure – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – INT 2 (Amendment)	Members’ Shares in Co-operative Entities and Similar Instruments ¹
HK(IFRIC) – INT 13	Customer Loyalty Programmes ²
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation ⁴

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2008

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 October 2008

Among these new or amended HKFRSs, HKAS 1 (Revised) is expected to be relevant to the Group’s financial statements. This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group’s financial statements.

The directors of the Company is currently assessing the impact of the other new or amended HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s financial statements.

SPARKLE ROLL GROUP LIMITED INTERIM REPORT 2008

4. SEGMENT INFORMATION

Primary reporting segment – business segments

The Group is currently organised into four (six months ended 30 September 2007: two) operating divisions, namely, publications and distributions of comic books, multimedia development, trading of automobiles and related parts and accessories and provision of after-sale services and trading of branded watches. These four business segments are the basis on which the Group reports its primary segment information. Segment information about these businesses is presented as below:

For the six months ended 30 September

	Publications and distributions of comic books		Multimedia development		Trading of automobiles and related parts and accessories and provision of after-sale services		Trading of branded watches		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenues:										
Sales to external customers	48,684	51,197	32,544	4,000	134,823	-	8,679	-	224,730	55,197
Other revenue	317	399	283	-	16,158	-	-	-	16,758	399
	49,001	51,596	32,827	4,000	150,981	-	8,679	-	241,488	55,596
Segment results	(54,486)	9,058	(42,808)	3,008	22,407	-	2,164	-	(72,723)	12,066
Unallocated income									18,599	891
Unallocated expenses									(11,991)	(3,539)
Finance costs									(6,082)	(135)
(Loss)/profit before income tax									(72,197)	9,283
Income tax expense									(6,336)	(1,410)
(Loss)/profit for the period									(78,533)	7,873

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4. SEGMENT INFORMATION *(Continued)*

Secondary reporting segment – geographical segments

The Group's operations are located in three (six months ended 30 September 2007: three) main geographical areas. The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods and services.

Sales to external customers by geographical markets:

	Six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Hong Kong	39,684	50,009
PRC	182,351	875
Others	2,695	4,313
	224,730	55,197

5. OTHER REVENUE AND GAINS

	Six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Advertising income	26	227
Interest income	202	891
Exchange gain, net	226	–
Gain on disposals of property, plant and equipment	18,171	–
Government grants	283	–
Other income from car dealership	16,158	–
Others	291	172
	35,357	1,290

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6. OPERATING (LOSS)/PROFIT

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating (loss)/profit 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	–
Allowance for impairment of inventories [#]	29,434	–
Amortisation of film rights [#]	1,617	–
Amortisation of intangible assets ^{##}	1,569	475
Amortisation of prepaid lease payments ^{###}	58	87
Depreciation of property, plant and equipment [*]	1,901	455
Fair value loss on derivative financial instruments ^{**}	102	–
Retirement benefits scheme contributions for employees	611	520
Other staff costs, including directors' emoluments	37,343	26,059
Total staff costs	37,954	26,579
Amount capitalised in inventories	(8,439)	(7,253)
Total staff costs charged to income statement	29,515	19,326

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6. OPERATING (LOSS)/PROFIT *(Continued)*

- # The amounts have been included in cost of sales.
- ## Amortisation of intangible assets of HK\$1,442,000 (six months ended 30 September 2007: HK\$475,000) has been expensed in cost of sales and HK\$127,000 (six months ended 30 September 2007: Nil) in other operating expenses.
- ### The amount has been included in administrative expenses.
- * Depreciation of HK\$530,000 (six months ended 30 September 2007: Nil) has been expensed in cost of sales, HK\$580,000 (six months ended 30 September 2007: Nil) in selling and distribution costs and HK\$791,000 (six months ended 30 September 2007: HK\$455,000) in administrative expenses.
- ** The amounts have been included in other operating expenses.

7. FINANCE COSTS

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest charges on bank overdrafts and loans wholly repayable within 5 years	30	114
Effective interest expenses on convertible notes for the period	6,052	21
	6,082	135

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8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2007: 17.5%) on estimated assessable profit for the period. Taxation in 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 Shanghai Sanding Animation Creation Company Limited, a subsidiary of the Company, is calculated at the rates of income tax prevailing in the PRC. It was charged at progressive rates ranging from 18% to 33% on deemed profits calculated at 10% on turnover.

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong:		
– Current period	2,583	588
– Under-provision in prior years	–	9
Overseas:		
– Current period	3,801	–
	6,384	597
Deferred tax (Note 14)		
– Current period	(256)	813
– Under-provision in prior years	49	–
– Attributable to changes in tax rates	159	–
	(48)	813
Income tax expense	6,336	1,410

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9. DIVIDENDS

The directors have determined that an interim dividend of HK1.0 cent per share (six months ended 30 September 2007: HK0.2 cent per share) amounting to HK\$15,512,000 (six months ended 30 September 2007: HK\$2,169,000) be payable on 16 January 2009 (six months ended 30 September 2007: 24 January 2008) to the shareholders of the Company whose names appear in the Register of Members on 2 January 2009 (six months ended 30 September 2007: 10 January 2008).

	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend to existing shareholders	15,512	2,081
Interim dividend to convertible notes holders*	–	6
Interim dividend to Acquisition Shares holder**	–	82
	15,512	2,169

During the six months ended 30 September 2008, no dividend (six months ended 30 September 2007: HK0.2 cent per share, amounting to HK\$2,081,000) was paid to shareholders as the final dividend for the immediate preceding financial year.

* Subsequent to 30 September 2007, certain convertible notes were exercised and 3,054,400 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\$6,000 was paid to the holders of the New Shares.

** Subsequent to 30 September 2007, 40,800,000 ordinary shares (the “Acquisition Shares”) were issued for the acquisition of 51% issued share capital of Super Win Limited which has a wholly owned subsidiary, Suzhou Hongyang Cartoon Production Company Limited, and exclusive entitlement to all of the economic benefits and rights to control, manage and operate Nanjing Hongying Anmie-cartoon Entertainment Company Limited and Shanghai Sanding Animation Creation Company Limited. The holder of the Acquisition Shares was 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\$82,000 was paid to the holder of the Acquisition Shares.

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10. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK\$78,448,000 for the six months ended 30 September 2008 (six months ended 30 September 2007: profit of HK\$7,875,000) and on the weighted average of 1,319,841,375 (six months ended 30 September 2007: 997,968,220) ordinary shares in issue during the period.

(b) Diluted

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

The calculation of diluted earnings per share for the six months ended 30 September 2007 was based on HK\$7,896,000, being the profit attributable to equity holders of the Company of HK\$7,875,000 as used in the calculation of the basic earnings per share plus effective interest expenses on convertible notes of HK\$21,000. The weighted average number of ordinary shares used in the calculation of diluted earnings per share was calculated based on the weighted average of 997,968,220 ordinary shares in issue during the period as used in the calculation of the basic earnings per share plus the weighted average of 1,499,073 ordinary shares deemed to be issued at no consideration as if all the Company's share options had been exercised and the weighted average of 5,589,919 ordinary shares deemed to be converted as if all the Company's convertible notes had been exercised.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$10,444,000 (six months ended 30 September 2007: HK\$214,000), of which approximately HK\$3,706,000 was acquired upon acquisition on subsidiaries (six months ended 30 September 2007: HK\$214,000). The Group disposed of the buildings with net carrying amount of HK\$5,607,000 during the period (six months ended 30 September 2007: Nil).

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12. GOODWILL

	30 September	31 March
	2008	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Net carrying amount at beginning of the period/year	141,194	124,539
Acquisition of subsidiaries (Notes 20(a))	583,724	16,655
Acquisition of additional interests in subsidiaries	2,707	–
Allowance for impairment of goodwill charged to income statement	(54,000)	–
	<hr/>	<hr/>
Net carrying amount at end of the period/year	673,625	141,194
	<hr/>	<hr/>

13. OTHER INTANGIBLE ASSETS

Intangible assets represent copyrights and trademarks. During the period, the Group incurred amortisation of intangible assets of approximately HK\$1,569,000 (six months ended 30 September 2007: HK\$475,000). Allowance for impairment of intangible assets of HK\$7,994,000 (six months ended 30 September 2007: Nil) was made in the current period. The remaining intangible assets not impaired have remaining useful lives ranging from 4 to 5 years.



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14. DEFERRED TAX

Deferred taxation is calculated in full on temporary differences under the liability method at rates of taxation prevailing in the locations in which the Group operates.

The movement on the deferred tax assets/(liabilities) is as follows:

	HK\$'000
At 1 April 2007	4,353
Deferred taxation charged to income statement (Note 8)	(813)
	3,540
At 30 September 2007 (Unaudited)	3,540
At 1 April 2008	3,702
Deferred taxation credited to income statement (Note 8)	256
Under-provision in respect of prior years (Note 8)	(49)
Attributable to changes in tax rates (Note 8)	(159)
	3,750
At 30 September 2008 (Unaudited)	3,750

The movement in deferred tax (liabilities)/assets (prior to offsetting of balances within the same taxation jurisdiction) during the period is as follows:

Deferred tax liabilities

	Accelerated tax depreciation	Tax losses	Intangible assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	103	82	(871)	(686)
(Charged)/credited to income statement	(90)	(120)	822	612
Attributable to changes in tax rates	(6)	(5)	49	38
	7	(43)	-	(36)
At 30 September 2008 (Unaudited)	7	(43)	-	(36)

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14. DEFERRED TAX (Continued)

Deferred tax assets

	Accelerated tax		Total
	depreciation	Tax losses	
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	–	4,353	4,353
Charged to income statement	–	(813)	(813)
At 31 September 2007 (Unaudited)	–	3,540	3,540
At 1 April 2008	(5)	4,393	4,388
Charged to income statement	(31)	(325)	(356)
Attributable to changes in tax rates	–	(197)	(197)
Over-provision in respect of prior years	–	(49)	(49)
At 30 September 2008 (Unaudited)	(36)	3,822	3,786

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

At the balance sheet date, the Group has unused tax losses of HK\$38,998,000 (31 March 2008: HK\$36,267,000) available for offset against future profits. Deferred tax assets have been recognised in respect of HK\$21,657,000 (31 March 2008: HK\$23,772,000) of such losses as the directors consider that the realisation of these deferred tax assets through the future taxable profits of those subsidiaries which incurred these tax losses is probable. No deferred tax asset has been recognised in respect of the remaining HK\$17,341,000 (31 March 2008: HK\$12,495,000) due to the unpredictability of future profit streams of the subsidiaries which incurred these remaining tax losses.

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15. TRADE RECEIVABLES

The Group grants an average credit period ranging from 30 days to 60 days to its trade customers. An aged analysis of trade receivables after impairment provision is as follows:

	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
0-30 days	10,143	11,167
31-60 days	2,643	4,200
61-90 days	2,827	915
Over 90 days	965	3,447
	16,578	19,729

16. TRADE PAYABLES

The following is an aged analysis of trade payables as at 30 September 2008:

	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
0-30 days	8,737	2,842
31-60 days	1,570	1,873
61-90 days	2,512	2,218
Over 90 days	3,672	3,010
	16,491	9,943

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17. BANK BORROWINGS

	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
Current		
Bank overdrafts (unsecured)	–	80
Bank loans, secured	7,929	850
	7,929	930

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

	30 September 2008	31 March 2008
Bank overdrafts, secured	–	Hong Kong Dollar Prime Rate + 0.5%
Bank loans, secured	Hong Kong Dollar Prime Rate – 1.5% and fixed rate of 4.2%	HIBOR + 2.0%

The Group's bank borrowings are denominated in Hong Kong dollars and their fair value approximates to the corresponding carrying amount.

At 30 September 2008, deposits of approximately HK\$3,312,000 (31 March 2008: HK\$4,406,000) were pledged to banks to secure general banking facilities granted to the Group. The bank loans were also secured by corporate guarantees executed by the Company and a subsidiary.

At 31 March 2008, the Group had pledged its buildings with net carrying amount of approximately HK\$5,660,000 and prepaid lease payments of approximately HK\$8,358,000 to banks to secure general banking facilities granted to the Group. During the six months ended 30 September 2008, the land and buildings were disposed of and the pledges were released. The bank loans had also been secured by corporate guarantee executed by the Company.

SPARKLE ROLL GROUP LIMITED INTERIM REPORT 2008

18. CONVERTIBLE NOTES

Convertible notes of the Group were issued on 19 October 2004 upon completion of the purchase of 49% equity interests in Jade Dynasty Holdings Limited. The convertible notes were convertible into ordinary shares of the Company at a price of HK\$0.50 (subject to adjustments) and had already been matured on 18 October 2007.

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 dealerships of Bentley cars (the “BL Dealership”), Lamborghini cars (the “LB Dealership”) and Rolls-Royce cars (the “RR Dealership”) and rights to control, manage and operate Beijing Mei He Zhen Yong Motors Trading Limited (“Mei He”) and Beijing De Te Motors Trading Limited (“De Te”). 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), 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 Notes bear interest on the outstanding principal from the date of issue to the date of redemption or conversion at a rate of 4.0% per annum payable in arrears semi-annually.

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

	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
Balance at beginning of the period/year	–	5,603
Issuance of the Notes of the Company	235,492	–
Conversion to shares of the Company	(12,756)	(5,503)
Effective interest expenses for the period/year	6,052	6
Over-provision of effective interest expenses in prior years	–	(101)
Interest paid	(2,770)	(5)
Balance at end of the period/year	226,018	–

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

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19. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.002 each		
At 1 April 2007, 30 September 2007, 31 March 2008, 1 April 2008 and 30 September 2008	250,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK\$0.002 each		
At 1 April 2007	932,394,450	1,865
Issue of new shares upon conversion of convertible notes	8,000,000	16
Placing of new shares	100,000,000	200
At 30 September 2007 (Unaudited)	1,040,394,450	2,081
Issue of new shares upon conversion of conversion notes	3,054,400	6
Issue of new shares upon exercise of share options	1,904,000	3
Issue of new shares upon acquisition of subsidiaries	40,800,000	82
At 31 March 2008 and April 2008	1,086,152,850	2,172
Issue of new shares upon acquisition of subsidiaries	400,000,000	800
Issue of new shares upon conversion of the Notes	65,000,000	130
At 30 September 2008 (Unaudited)	1,551,152,850	3,102

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20. BUSINESS COMBINATION

(a) Acquisition of car business

On 22 February 2008, a wholly-owned subsidiary of the Company, Sparkle Roll Motor Cars Limited (Formerly known as JD Motor Cars Limited) (“SRMC”), entered into a sale and purchase agreement with an independent third party to acquire the BL Dealership, LB Dealership and RR Dealership and exclusive rights to control, manage and operate Mei He and De Te. The principal activities of Mei He and De Te are trading of automobiles, related parts and accessories in the PRC and provision of after-sale services. The acquisition was completed on 26 June 2008.

Mei He and De Te contributed aggregate of revenue of approximately HK\$134,824,000 and aggregate of net profit of approximately HK\$19,254,000 to the Group for the period from 26 June 2008 to 30 September 2008.

If the acquisition had occurred on 1 April 2008, the Group’s revenue would have been approximately HK\$298,411,000 and loss for the period ended 30 September 2008 would have been approximately HK\$72,197,000. These pro forma information are for illustrative purpose only and are not necessarily indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008 nor are they intended to be projection of future results.

Details of this transaction were set out in circular to the shareholders of the Company dated 20 March 2008. Details of the net assets acquired and goodwill of the acquisition are as follows:

	HK\$’000 (Unaudited)
Net cash paid	34,227
Fair value of 400,000,000 new ordinary shares of the Company issued (Note (i))	220,000
Fair value of the Notes issued	385,071
	639,298
Total purchase consideration	639,298
Direct cost relating to the acquisition	2,453
Fair value of aggregate net assets acquired	(58,027)
	583,724
Goodwill (Note 12)	583,724

SPARKLE ROLL GROUP LIMITED
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20. BUSINESS COMBINATION *(Continued)*

(a) Acquisition of car business *(Continued)*

The fair values of the identifiable assets and liabilities as at 26 June 2008 and the corresponding carrying amounts immediately before the acquisition are as follows:

	Fair value	Carrying
	HK\$'000	amount
		HK\$'000
<u>Mei He</u>		
Property, plant and equipment	718	718
Inventories	14,339	14,339
Trade and other receivables	74,825	74,825
Cash and cash equivalents	9,596	9,596
Trade and other payables	(70,809)	(70,809)
		<u>28,669</u>
Net assets acquired	<u>28,669</u>	
<u>De Te</u>		
Property, plant and equipment	3,499	3,499
Inventories	1,348	1,348
Trade and other receivables	27,379	27,379
Cash and cash equivalents	1,956	1,956
Trade and other payables	(1,779)	(1,779)
Provision for tax	(3,045)	(3,045)
		<u>29,358</u>
Net assets acquired	<u>29,358</u>	
Aggregate net assets acquired	<u>58,027</u>	
Total cash consideration		(34,227)
Direct cost relating to the acquisition		(2,453)
Cash and cash equivalents in subsidiaries acquired		<u>11,552</u>
Net outflow of cash and cash equivalents		<u>(25,128)</u>

20. BUSINESS COMBINATION (*Continued*)

(a) Acquisition of car business (*Continued*)

Note:

- (i) The fair value of the new ordinary shares of the Company was based on the published closing share price at the acquisition date.
- (ii) The above fair values of the assets and liabilities acquired are determined provisionally based on the information available up to the date of these financial statements. The fair value of the Notes was determined by the directors of the Company with reference to a valuation performed by Northon Appraisals Limited, a firm of professional valuers.
- (iii) The BL Dealership, LB Dealership and RR Dealership are intangible assets acquired which have not been recognised separately from goodwill. The directors of the Company are of the opinion that the fair value of these intangible assets should be linked with the key management running the car business and thus, for the intangible assets alone, it could not be measured reliably. The goodwill arising from the acquisition is also attributable to the anticipated profitability of the market in the PRC and the expected continuing growth of the economy of the PRC.

(b) Acquisition of watch business

On 8 August 2008, a wholly-owned subsidiary of the Company, Sparkle Roll Watch & Jewellery Limited (“SRW&J”), entered into certain agreements with an independent third party to acquire 100% equity interest in Richard Mille (Shanghai) Trading Company Limited (“RM Shanghai”) and an exclusive and non-transferrable license to use the trademark in the PRC for 5 years. The principal activity of RM Shanghai is trading of branded watches. The acquisition was completed on 8 August 2008.

RM Shanghai contributed aggregate of revenue of approximately HK\$383,000 and aggregate of net profit of approximately HK\$95,000 to the Group for the period from 8 August 2008 to 30 September 2008.

If the acquisition had occurred on 1 April 2008, the Group’s revenue would have been approximately HK\$224,730,000 and loss for the period ended 30 September 2008 would have been approximately HK\$78,533,000. These pro forma information are for illustrative purpose only and are not necessarily indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008 nor are they intended to be projection of future results.

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20. BUSINESS COMBINATION *(Continued)*

(b) Acquisition of watch business *(Continued)*

Details of the net assets acquired are as follows:

The fair values of the identifiable assets and liabilities as at 8 August 2008 and the corresponding carrying amounts immediately before the acquisition are as follows:

	Fair value	Carrying
	HK\$'000	amount
		HK\$'000
Property, plant and equipment	32	32
Intangible assets	5,801	–
Inventories	4,297	4,297
Other receivables	308	308
Cash and cash equivalents	877	877
Other payables	(315)	(315)
		<u>5,199</u>
Net assets acquired	<u>11,000</u>	
Total cash consideration		(11,000)
Cash and cash equivalents in a subsidiary acquired		<u>877</u>
Net outflow of cash and cash equivalents		<u>(10,123)</u>



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21. RELATED PARTY TRANSACTIONS

During the period, except as disclosed elsewhere in the Interim Financial Report, the Group had the following significant transactions with related parties:

	Notes	Six months ended 30 September	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Payment of comics script fee and bonus to a shareholder	(i)	2,334	2,334
Payment of salaries and administrative fees to related parties	(ii)	574	588
Payment of consultancy fee to related parties	(iii)	348	–
Sales of watches to directors	(iv)	479	–
Payment of rents, management fee and office expenses to a related company	(v)	512	–
Purchase of inventories from a related company	(v)	871	–
Purchase of property, plant and equipment from a shareholder	(vi)	511	–
Receipt from a related company	(vii)	16,158	–

Remuneration of directors and other members of key management other than Mr. Wong Chun Loong (“Mr. Wong”) during the period was as follows:

	Six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Salaries and other benefits	4,575	3,921
Contributions to retirement benefits schemes	60	60

Note:

- (i) During the period, the Group paid comic script fee and bonus to Mr. Wong, in the capacity as chief creative officer in pursuance with relevant service agreements signed with the Group.
- (ii) During the periods ended 30 September 2008 and 2007, the Group paid salaries and administrative expenses to certain relatives of two directors of the Company, Mr. Tong Kai Lap and Mr. Wong Chun Keung. The amounts paid to these related parties are for the purpose of normal course of business. No individual persons received over HK\$1,000,000 in each of the period.

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21. RELATED PARTY TRANSACTIONS *(Continued)*

Note: *(Continued)*

- (iii) The entire consultancy fee was paid to two companies, one of which is controlled by Mr. Tong Kai Lap and his family members and the other is controlled by Mr. Ko Chi Keung, a director of the Company during the period, and his family members.
- (iv) During the period ended 30 September 2008, sales of watches were made to two directors of the Company, Mr. Tong Kai Lap and Mr. Zhao Xiao Dong.
- (v) During the period ended 30 September 2008, the Group paid rents, management fee and office expenses to and purchased spare parts from a related company which is owned and controlled by a shareholder of the Company, Mr. Qi Jian Hong.
- (vi) During the period ended 30 September 2008, the Group purchased certain property, plant and equipment from Mr. Qi Jian Hong.
- (vii) During the period ended 30 September 2008, the Group received the profit generated from a company of which the beneficial owner is Mr. Qi Jian Hong.

22. OPERATING LEASES

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30 September 2008 HK\$'000 (Unaudited)	31 March 2008 HK\$'000 (Audited)
Within one year	18,853	2,637
In the second to fifth year inclusive	30,579	2,159
After five years	10,987	–
	60,419	4,796

Operating lease payments represent rentals payable by the Group for its staff quarters and office premises in the PRC, Hong Kong and Taiwan. Leases are mainly negotiated for terms ranging from one to ten years.

23. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The financial statements for the period ended 30 September 2008 were approved by the Board of directors on 5 December 2008.

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ADDITIONAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 September 2008, the interests of the directors and their associates in the shares and convertible notes of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the shares and underlying shares of the Company

Name of director	Capacity	Number of shares	Approximate % of the issued share capital of the Company (Note 3)
Mr. Tong Kai Lap ("Mr. Tong") (Note 1)	Founder of discretionary trust	10,274,400 ordinary shares	0.66%
Mr. Tong	Beneficial owner	4,760,000 ordinary shares	0.31%
Mr. Tong (Note 2)	Interest of spouse	2,551,466 ordinary shares	0.16%
Mr. Zheng Hao Jiang	Beneficial owner	10,640,000 ordinary shares	0.69%
Mr. Wong Chun Keung	Beneficial owner	3,464,000 ordinary shares	0.22%

Notes:

- (1) Interest of issued shares shown in this row is beneficially owned by Rapid Alert International Limited, a company controlled by a discretionary trust of which Mr. Tong is the founder. Accordingly, Mr. Tong is deemed to be interested in these securities. The total interest of issued shares of Mr. Tong are 17,585,866 shares.
- (2) Interest of issued shares shown in this row is beneficially owned by Ms. Wong Miu Ling, Patricia, the spouse of Mr. Tong. Accordingly, Mr. Tong is deemed to be interested in these securities.
- (3) The denominator used is 1,551,152,850 shares, being the total number of shares in issue as at 30 September 2008.
- (4) Other than as disclosed above and in the section headed "Share Options Scheme" below, none of the directors nor their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 30 September 2008.

SPARKLE ROLL GROUP LIMITED INTERIM REPORT 2008

ADDITIONAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of shares	Approximate % of the issued share capital of the Company (Note 4)
Sparkle Roll Holdings Limited (“SRHL”)	Beneficial owner	1,600,000,000 (L)	103.15%
Mr. Qi Jian Hong (“Mr. Qi”) (Note 1)	Held by controlled corporation	1,600,000,000 (L)	103.15%
Ms. Zhu Shuang (“Ms. Zhu”) (Note 1)	Interest of spouse	1,600,000,000 (L)	103.15%
Super Empire Investments Limited (“Super Empire”)	Beneficial owner	273,435,100 (L)	17.63%
Mr. Wong Chun Loong (“Mr. Wong”) (Note 2)	Held by controlled corporation	273,435,100 (L)	17.63%
Mr. Wong	Beneficial owner	7,856,000 (L)	0.51%
Hong Ying Universe Company Limited (“Hong Ying”) (Note 3)	Beneficial owner	130,800,000 (L)	8.43%
Mr. Hsieh Tai Chun (“Mr. Hsieh”) (Note 3)	Held by controlled corporation	130,800,000 (L)	8.43%
Ms. Liu Su (“Ms. Liu”) (Note 3)	Interest of spouse	130,800,000 (L)	8.43%

SPARKLE ROLL GROUP LIMITED INTERIM REPORT 2008

ADDITIONAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:

- (1) SRHL is a company wholly owned and controlled by Mr. Qi. Accordingly, Mr. Qi is deemed to be beneficial holders of shares held by SRHL. Ms. Zhu is wife of Mr. Qi. Accordingly, Ms. Zhu is deemed to be beneficial holders of shares held by SRHL and Mr. Qi.
- (2) Super Empire is a company controlled by Mr. Wong. Accordingly, Mr. Wong is deemed to be beneficial holders of shares held by Super Empire.
- (3) Hong Ying is a company controlled by Mr. Hsieh. Accordingly, Mr. Hsieh is deemed to be beneficial holders of shares held by Hong Ying. Ms. Liu is wife of Mr. Hsieh. Accordingly, Ms. Liu is deemed to be beneficial holders of shares held by Hong Ying and Mr. Hsieh.
- (4) The denominator used is 1,551,152,850 shares, being the total number of shares in issue as at 30 September 2008.
- (5) Other than as disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 30 September 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

SPARKLE ROLL GROUP LIMITED INTERIM REPORT 2008

ADDITIONAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

RE-DESIGNATION, APPOINTMENT AND RESIGNATION OF DIRECTORS

Mr. Tong Kai Lap was re-designated as executive director and chairman and member of Remuneration Committee on 16 June 2008. Mr. Wan Siu Lun was re-designated as deputy chairman on 16 June 2008 and resigned from his office as deputy chairman, executive director and member of Remuneration Committee on 16 June 2008. Mr. Wan resigned as executive director on 16 October 2008. Details of information are set out in the announcements of the Company dated 16 June 2008 and 16 October 2008.

Mr. Zheng Hao Jiang was appointed as Chief Executive Officer and re-designated as executive director, deputy chairman and member of Remuneration Committee on 16 June 2008. Mr. Wong Chun Keung resigned from his office as Chief Executive Officer and member of Remuneration Committee on 16 June 2008. Details of information are set out in the announcement of the Company dated 16 June 2008.

Mr. Kwong Chi Tak and Mr. Ko Chi Keung were resigned as executive director and non-executive director respectively on 26 August 2008. Mr. Tsui Pui Hung was resigned from his office on 26 August 2008 as independent non-executive director and member of Audit Committee and Remuneration Committee and Mr. Lee Kang Bor, Thomas was appointed on 26 August 2008 as independent non-executive director and member of Audit Committee and Remuneration Committee on 26 August 2008. Details of information are set out in the announcement of the Company dated 26 August 2008.

Mr. Zhao Xiao Dong was appointed as non-executive director and deputy chairman on 16 October 2008. Details of information are set out in the announcement of the Company dated 16 October 2008.

CORPORATE GOVERNANCE

The Group is committed to ensuring high standard of corporate governance as the directors believe it would improve effectiveness and efficiencies in the overall business performance of the Group such that the Group could become more competitive in markets and enhancing shareholders' value in consequence.

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 2008.

SPARKLE ROLL GROUP LIMITED INTERIM REPORT 2008

ADDITIONAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

CORPORATE GOVERNANCE *(Continued)*

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. Tsui Pui Hung who resigned on 26 August 2008 and Mr. Lee Kang Bor, Thomas was appointed on 26 August 2008 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 condensed consolidated financial statements for the six months ended 30 September 2008 (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 2008.

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. Tsui Pui Hung who resigned on 26 August 2008 and Mr. Lee Kang Bor, Thomas was appointed on 26 August 2008 and two executive directors, namely, Mr. Wan Siu Lun resigned on 16 June 2008 and Mr. Tong Kai Lap (Chairman of the Board) was appointed on 16 June 2008, while Mr. Wong Chun Keung was resigned on 16 June 2008 and Mr. Zheng Hao Jiang (Chief Executive Officer) was appointed on 16 June 2008.

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.

SPARKLE ROLL GROUP LIMITED INTERIM REPORT 2008

ADDITIONAL INFORMATION *(Continued)*

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

Nomination Committee

The Nomination Committee was established on 6 October 2008 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, 5 December 2008