# Jade Dynasty Group Limited
# 玉皇朝集團有限公司*

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 970)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008

### RESULTS

The Board of directors (the "Directors") of Jade Dynasty Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 March 2008, together with the comparative figures for the last corresponding year as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2008*

| | *Notes* | **2008** *HK$'000* | 2007 *HK$'000* |
|---|---|---|---|
| **Revenue** | *3* | **156,726** | 102,094 |
| Cost of sales | | **(128,050)** | (76,930) |
| **Gross profit** | | **28,676** | 25,164 |
| Other revenue and gains | *4* | **3,488** | 1,264 |
| Selling and distribution costs | | **(3,302)** | (2,640) |
| Administrative expenses | | **(19,360)** | (12,331) |
| Other operating expenses | | **(991)** | – |
| Operating profits | *5* | **8,511** | 11,457 |
| Finance costs | *6* | **(226)** | (380) |
| **Profit before income tax** | | **8,285** | 11,077 |
| Income tax (expense)/credit | *7* | **(2,052)** | 286 |
| **Profit for the year** | | **6,233** | 11,363 |

* *for identification purpose only*

| | Notes | **2008** *HK$'000* | 2007 *HK$'000* |
|---|---|---|---|
| Attributable to: | | | |
| Equity holders of the Company | | **6,585** | 11,370 |
| Minority interests | | **(352)** | (7) |
| | | **6,233** | 11,363 |
| **Dividends** | *8* | **2,169** | 3,943 |
| **Earnings per share for profit attributable to the equity holders of the Company during the year** | *9* | | |
| – Basic | | **0.63 cent** | 1.24 cent |
| – Diluted | | **0.63 cent** | 1.23 cent |

## CONSOLIDATED BALANCE SHEET

*As at 31 March 2008*

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **13,591** | 7,899 |
| Prepaid lease payments | | **8,184** | 8,358 |
| Intangible assets | | **10,551** | 6,107 |
| Goodwill | *10* | **141,194** | 124,539 |
| Deferred tax assets | | **4,388** | 4,353 |
| Trade receivables | *11* | **–** | 1,597 |
| Deposits | | **50,000** | – |
| | | **227,908** | 152,853 |
| **Current assets** | | | |
| Prepaid lease payments | | **174** | 174 |
| Inventories | | **59,874** | 65,298 |
| Film rights | | **46,307** | – |
| Trade receivables | *11* | **19,729** | 31,252 |
| Deposits, prepayments and other receivables | | **23,004** | 11,239 |
| Derivative financial instruments | | **2,428** | – |
| Tax recoverable | | **775** | 1,280 |
| Pledged bank deposits | | **4,406** | 4,258 |
| Cash at banks and in hand | | **27,172** | 5,299 |
| | | **183,869** | 118,800 |
| **Current liabilities** | | | |
| Trade payables | *12* | **9,943** | 9,672 |
| Receipts in advance, accrued charges and other payables | | **35,687** | 4,597 |
| Derivative financial instruments | | **2,317** | – |
| Provision for tax | | **1,180** | 1,521 |
| Bank borrowings | | **930** | 3,557 |
| Convertible notes | | **–** | 5,603 |
| | | **50,057** | 24,950 |
| **Net current assets** | | **133,812** | 93,850 |
| **Total assets less current liabilities** | | **361,720** | 246,703 |

| | Notes | **2008** | 2007 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Non-current liabilities** | | | |
| Other payables | | **2,148** | – |
| Deferred tax liabilities | | **686** | – |
| | | **2,834** | – |
| **Net assets** | | **358,886** | 246,703 |
| **EQUITY** | | | |
| **Equity attributable to the equity holders of the Company** | | | |
| Share capital | | **2,172** | 1,865 |
| Reserves | | **349,278** | 242,395 |
| | | **351,450** | 244,260 |
| **Minority interests** | | **7,436** | 2,443 |
| **Total equity** | | **358,886** | 246,703 |

*NOTES*

**1. Basis of preparation**

The financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**2. Adoption of new or amended HKFRSs**

***Adoption of new and amended HKFRSs effective on 1 April 2007***

From 1 April 2007, the Group has adopted all the new and amended HKFRSs which are first effective on 1 April 2007 and relevant to the Group. The adoption of these HKFRSs did not result in significant changes to the Group's accounting policies. As a result of the adoption of HKAS 1 (Amendment) "Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures", there are additional disclosures provided as follows:

The amendment to HKAS 1 introduces additional disclosure requirements to provide information in each annual financial report about the level of capital and the Group's objectives, policies and procedures for managing capital.

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required under HKAS 32 "Financial Instruments: Disclosure and Presentation".

The amendment to HKFRS 7 does not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The first-time application of HKAS 1 (Amendment) and HKFRS 7, however, has not resulted in any prior period adjustments on cash flows, net income or balance sheet items. Accordingly, no adjustments on prior periods are required.

***New or amended HKFRSs that have been issued but are not yet effective***

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| 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[2] |
| HKAS 32 (Amendment) | Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation[1] |
| HKAS 39 (Amendment) | Financial Instruments: Recognition and Measurement[1] |
| HKFRS 2 (Revised) | Share-based Payment – Vesting Conditions and Cancellations[1] |
| HKFRS 3 (Revised) | Business Combination – Comprehensive Revision on Applying the Acquisition Method[2] |
| HKFRS 7 (Amendment) | Financial Instruments: Disclosures – Puttable Financial Instruments and Obligations Arising on Liquidation[1] |
| HKFRS 8 | Operating Segments[1] |
| HK(IFRIC) – Interpretation 2 (Amendment) | Members' Shares in Co-operative Entities and Similar Instruments[1] |
| HK(IFRIC) – Interpretation 12 | Service Concession Arrangements[3] |
| HK(IFRIC) – Interpretation 13 | Customer Loyalty Programmes[4] |
| HK(IFRIC) – Interpretation 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3] |

[1] *Effective for annual periods beginning on or after 1 January 2009*

[2] *Effective for annual periods beginning on or after 1 July 2009*

[3] *Effective for annual periods beginning on or after 1 January 2008*

[4] *Effective for annual periods beginning on or after 1 July 2008*

Among these new or amended HKFRSs, HKAS 1 (Revised) is expected to be relevant to the Group's financial statements. The 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 expenses 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 are currently assessing the impact of other new or amended HKFRSs but are not yet in a position to state whether they would have any material financial impact on the Group's financial statements.

## 3. Segment information

***Primary reporting format – business segments***

The Group is currently organised into two (2007: two) main operating divisions, namely, publications and distributions of comic books and multimedia development. These divisions are the basis on which the Group reports its primary segment information. There are no intersegment sales between the respective segments.

**For the year ended 31 March**

| | Publications and distributions of comic books | | Multimedia development | | Group | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Revenue | **109,675** | 90,032 | **47,051** | 12,062 | **156,726** | 102,094 |
| Segment results | **5,522** | 8,177 | **12,328** | 8,410 | **17,850** | 16,587 |
| Unallocated income | | | | | **3,057** | 1,129 |
| Unallocated expenses | | | | | **(12,396)** | (6,259) |
| Finance costs | | | | | **(226)** | (380) |
| Profit before income tax | | | | | **8,285** | 11,077 |
| Income tax (expense)/credit | | | | | **(2,052)** | 286 |
| Profit for the year | | | | | **6,233** | 11,363 |

**As at 31 March**

| | Publications and distributions of comic books | | Multimedia development | | Group | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Segment assets | **180,400** | 178,650 | **140,740** | 77,467 | **321,140** | 256,117 |
| Unallocated assets | | | | | **90,637** | 15,536 |
| Total assets | | | | | **411,777** | 271,653 |
| Segment liabilities | **19,168** | 14,079 | **28,088** | 10 | **47,256** | 14,089 |
| Unallocated liabilities | | | | | **5,635** | 10,861 |
| Total liabilities | | | | | **52,891** | 24,950 |

**For the year ended 31 March**

| | Publications and distributions of comic books | | Multimedia development | | Group | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Capital expenditures | **6,188** | 1,922 | **8,037** | 5,102 | **14,225** | 7,024 |
| Amortisation charges | **1,924** | 888 | **3,559** | 113 | **5,483** | 1,001 |
| Depreciation | **877** | 816 | **697** | – | **1,574** | 816 |
| Other non-cash expenses | **940** | – | **1,423** | – | **2,363** | – |
| Unallocated portion | | | | | **319** | – |
| Total other non-cash expenses | | | | | **2,682** | – |

***Secondary reporting segment – geographical segments***

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

Sales revenue by geographical markets:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **89,303** | 92,774 |
| PRC | **59,762** | 2,630 |
| Others | **7,661** | 6,690 |
| | **156,726** | 102,094 |

The following table is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

| | **Segment assets** | | **Capital expenditures** | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **264,304** | 251,664 | **6,049** | 6,948 |
| PRC | **56,831** | 4,448 | **8,176** | 76 |
| Others | **5** | 5 | **–** | – |
| | **321,140** | 256,117 | **14,225** | 7,024 |

## 4. Other revenue and gains

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Advertising income | **265** | 355 |
| Bank interest income | **1,826** | 530 |
| Gains on disposals of property, plant and equipment | **86** | 135 |
| Government grants | **345** | – |
| Exchange gains, net | **86** | 142 |
| Others | **880** | 102 |
| | **3,488** | 1,264 |

## 5. Operating profits

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Operating profits are arrived at after charging/(crediting): | | |
| Amortisation of film rights | **3,051** | – |
| Amortisation of intangible assets | **2,258** | 827 |
| Amortisation of prepaid lease payments | **174** | 174 |
| Auditors' remuneration | **1,000** | 680 |
| Cost of inventories recognised as expense | **61,322** | 31,766 |
| Depreciation | **1,574** | 816 |
| Operating lease payments in respect of rented premises | **1,696** | 851 |
| Provision for impairment of intangible assets | **464** | – |
| Provision for impairment of inventories | **1,791** | – |
| Provision for impairment of receivables | **108** | – |
| Fair value loss on derivative financial instruments | **319** | – |
| Retirement benefits scheme contributions for employees | **1,944** | 1,030 |
| Other staff costs, including directors' emoluments | **62,813** | 48,217 |
| Amount capitalised in inventories | **(14,156)** | (12,090) |
| Total staff costs charged to income statement | **50,601** | 37,157 |

## 6. Finance costs

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest charges on bank overdrafts and loans wholly repayable within five years | **220** | 251 |
| Effective interest expense on convertible notes *(Note 9)* | **6** | 129 |
| | **226** | 380 |

## 7. Income tax expense/(credit)

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year 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.

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| Hong Kong: | | |
| – Current year | **1,223** | 1,027 |
| – Over-provision in respect of prior years | **(20)** | (52) |
| Overseas: | | |
| – Current year | **198** | – |
| | **1,401** | 975 |
| Deferred tax | | |
| – Current year | **(329)** | (1,261) |
| – Under-provision in respect of prior years | **980** | – |
| | **651** | (1,261) |
| Total income tax expense/(credit) | **2,052** | (286) |

Reconciliation between tax expense/(credit) and accounting profit at applicable tax rates:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before income tax | **8,285** | 11,077 |
| Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdictions concerned | **2,700** | 1,939 |
| Tax on turnover of a subsidiary, calculated at the statutory rates ranging from 18% to 33% | **198** | – |
| Tax effect of non-taxable revenue | **(452)** | (1,105) |
| Tax effect of non-deductible expenses | **1,935** | 66 |
| Tax effect of unused tax losses not recognised | **159** | – |
| Tax effect of prior years' unrecognised tax losses utilised this year | **–** | (23) |
| Tax effect from tax exemption/relief | **(4,379)** | – |
| Tax effect on origination of intangible assets | **871** | – |
| Recognition of tax losses previously not recognised | **–** | (1,171) |
| Over-provision of Hong Kong profits tax in prior years | **(20)** | (52) |
| Under-provision of deferred tax in prior years | **980** | – |
| Others | **60** | 60 |
| Income tax expense/(credit) for the year | **2,052** | (286) |

## 8. Dividends

***Dividends attributable to the year***

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend of HK0.2 cent per share (2007: HK0.2 cent) | **2,169** | 1,862 |
| Proposed final dividend of nil (2007: HK0.2 cent per share) *(Note (i))* | | |
| – to existing shareholders | **–** | 1,865 |
| – to other shareholders *(Note (ii))* | **–** | 216 |
| | **–** | 2,081 |
| | **2,169** | 3,943 |

*Note:*

(i) The directors do not recommend the payment of a final dividend for the year ended 31 March 2008. The final dividend proposed after 31 March 2007 had not been recognised as a liability at 31 March 2007, but reflected as an appropriation of retained earnings for the year ended 31 March 2007.

(ii) Subsequent to 31 March 2007 and up to the date of approval of the financial statements for the year ended 31 March 2007, an aggregate of 8,000,000 ordinary shares were issued pursuant to the conversion of convertible notes and the placement of 100,000,000 ordinary shares to Super Empire Investments Limited (collectively the "New Shares"). The holders of the New Shares were also entitled to the proposed final dividend for the year ended 31 March 2007 pursuant to the relevant provisions in the Company's Bye-laws. Accordingly, final dividends of HK$216,000 for the year ended 31 March 2007 were paid to the holders of the New Shares.

***Dividend attributable to previous financial year, approved and paid during the year***

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Final dividend in respect of the previous financial year, of HK0.2 cent per share (2007: HK0.2 cent) | **2,081** | 1,855 |

## 9. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

| | 2008 | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| *Earnings* | | |
| Profit attributable to the equity holders of the Company | **6,585** | 11,370 |
| Effective interest expense on convertible notes *(Note 6)* | **6** | 129 |
| Profit used to determine diluted earnings per share | **6,591** | 11,499 |

| | **Number of shares** | |
|---|---|---|
| | **2008** | 2007 |
| *Shares* | | |
| Weighted average number of shares for the purposes of basic earnings per share | **1,037,645,795** | 918,045,752 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **1,357,509** | 4,114,756 |
| Convertible notes | **2,819,996** | 13,859,668 |
| Weighted average number of shares for the purposes of diluted earnings per share | **1,041,823,300** | 936,020,176 |

## 10. Goodwill

| | 2008 | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Opening carrying amount | **124,539** | 124,539 |
| Acquisition of subsidiaries | **16,655** | – |
| Closing carrying amount | **141,194** | 124,539 |

For the years ended 31 March 2007 and 2008, management of the Group determines that there is no impairment of goodwill.

The carrying amount of goodwill is allocated to the following cash generating units:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Publications and distribution of comic books | **124,539** | 124,539 |
| Multi-media development | **16,655** | – |
| | **141,194** | 124,539 |

## 11. Trade receivables

An aged analysis of trade receivables as at the balance sheet date, based on invoice date, and net of impairment losses, is as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 30 days | **11,167** | 15,353 |
| 31 – 60 days | **4,200** | 5,606 |
| 61 – 90 days | **915** | 1,769 |
| Over 90 days | **3,447** | 10,121 |
| | **19,729** | 32,849 |
| *Less:* Trade receivables due over one year | **–** | (1,597) |
| Trade receivables due within one year | **19,729** | 31,252 |

The Group's sales to its customers are mainly on credit. Except as detailed below, the credit period is generally for a period of two to three months for major customers. The Group seeks to maintain strict control over its outstanding trade receivables and has a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by senior management.

On 9 January 2007, the Group had entered into an agreement with one of the major customers that approximately HK$8,597,000 of the trade debts due from this customer is to be settled by 18 equal instalments. As at 31 March 2007, approximately HK$1,597,000 from this customer were to be settled over one year from 31 March 2007.

The carrying amount of trade receivables is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

At each balance sheet date, the Group's trade receivables are individually reviewed to determine if impaired. The amount of impairment loss of individually impaired receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised. As at 31 March 2007 and 2008, no specific impairment provision has been made. The Group does not hold any collateral over these balances.

Ageing analysis of trade receivables that are not impaired is as follows:

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Neither past due nor impaired | **17,534** | 31,803 |
| Not more than 1 year past due | **2,195** | 1,046 |
| | **19,729** | 32,849 |

Trade receivables that were neither past due nor impaired related to certain customers from whom there was no recent history of default.

Trade receivables that were past due but not impaired related to independent customers that had a good track record with the Group. Based on the past experience, management believed that no impairment allowance is necessary in respect of these balances as there had not been a significant change in credit quality and the balances were considered fully recoverable.

## 12. Trade payables

The following is an aged analysis of trade payables at the balance sheet date:

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| 0 – 30 days | **2,842** | 4,044 |
| 31 – 60 days | **1,873** | 1,977 |
| 61 – 90 days | **2,218** | 1,880 |
| Over 90 days | **3,010** | 1,771 |
| | **9,943** | 9,672 |

## FINANCIAL REVIEW

For the year ended 31 March 2008, the Group recorded revenue of approximately HK$156.7 million as compared to approximately HK$102.1 million last year. Profit attributable to equity holders of the Company was approximately HK$6.6 million, as compared with a profit of approximately HK$11.4 million for the last financial year.

At the year end date, the Group maintained a net cash position with cash at banks and in hand of approximately HK$27.2 million (2007: HK$5.3 million) and short term bank borrowings of approximately HK$0.9 million (2007: HK$3.6 million). Coupled with the completion of placing 100,000,000 shares to institutional investors in June 2007 and payment of deposit for the acquisition of companies engaged in the dealerships of 3 luxury car and sports car brands including Bentley, Lamborghini and Rolls-Royce in the PRC, the Group had sufficient financial resources and will continue to finance its business development by internal resources and short-term bank borrowings.

## DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2008 (2007: HK0.2 cent per share), which together with the interim dividend of HK0.2 cent per share (2007: HK0.2 cent per share) make a total dividend of HK0.2 cent per share for the year end of 31 March 2008 (2007: HK0.4 cent per share). The total dividend amounted to approximately HK$2.2 million for the year ended 31 March 2008 (2007: HK$3.9 million).

## OPERATIONAL REVIEW

During the year, the Group published and sold 10 local Chinese comic books on a weekly or bi-weekly basis and approximately 23 Japanese comic books on a monthly basis. The Group also grants comic books licensing to overseas publishers to translate comic books into different languages. The Group has strengthened its multimedia development business by the acquisition of 51% of the equitable interests of Suzhou Hongyang Cartoon Production Company Limited through the acquisition of 51% paid up share capital of Super Win Limited, the exclusive entitlement to all of the economic benefits and rights to control, management and operate Shanghai Sanding Animation Creation Company Limited and Nanjing Hongying Anmie-Cartoon Entertainment Company Limited, (collectively "Hongying Group", an animation production basement in PRC), in early November 2007.

Despite the fact that revenue generated from publications and distributions of comic books increased by 21.8% to HK$109.7 million, this segment's profit reduced by 32.5% to HK$5.5 million due to the sharp increase in the printing and paper costs during the year.

Since the completion of the acquisition of Hongying Group in early November 2007, animations subcontracting works of 89 episodes with around 1,500 minutes have been produced with encouraging results contributed to the Group.

## NUMBERS AND REMUNERATION OF EMPLOYEES

As at 31 March 2008, the Group had 663 (2007: 227) employees. Employees' costs (including directors' other emoluments) charged to consolidated income statement amounted to approximately HK$50.6 million for the year (2007: HK$37.2 million). All permanent employees were under the remuneration policy of fixed monthly salary with discretionary bonus.

There has been no change to the share option scheme adopted by the Company on 7 October 2002. As at the balance sheet date, no share options were outstanding. As at 31 March 2007, approximately 3.1 million share options granted to certain directors and employees were outstanding.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's total assets as at 31 March 2008 were approximately HK$411.8 million (2007: HK$271.7 million) which were financed by the shareholders' fund and total liabilities of approximately HK$351.5 million (2007: HK$244.3 million) and HK$52.9 million (2007: HK$25.0 million) respectively.

The Group's gearing ratio then computed as total borrowings over shareholders' fund was approximately 0.3% as at 31 March 2008 (31 March 2007: 3.8%).

The directors consider the Group will have 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 the year, the Company issued approximately 11.1 million new ordinary shares of HK$0.002 each at a price of HK$0.50 per share by way of convertible notes conversion, approximately 1.9 million new ordinary shares of HK$0.002 each at HK$0.37 per share of exercise price by way of exercise share options, 100.0 million ordinary new shares of HK$0.002 each at HK$0.76 per share by way of share placing and 40.8 million ordinary new shares of HK$0.002 each at HK$0.56 per share as consideration shares for acquisition of subsidiaries respectively.

## CHARGES ON ASSETS

As at 31 March 2008, certain assets of the Group with an aggregate amount of HK$18.6 million (2007: HK$18.7 million), including HK$14.3 million of buildings and prepaid lease payments (2007: HK$14.4 million) and HK$4.4 million of pledged bank deposits, (2007: HK$4.3 million), were pledged to secure general banking facilities granted to the Group which are not utilised at the balance sheet date.

## PROSPECTS

Envision the continuous growth of net wealth of a small group of elite in the PRC and grow the profitability of the Group, we have taken a significant business move forward by diversifying into luxury goods distribution in the PRC in the year 2008 while leveraging on its existing role as an emerging leading animations studio in the PRC.

Riding on the huge potential of ultra-luxury cars and luxury goods markets in the PRC propelled by the buoyant economy, the Group believes continuing to diversify into different luxury goods market in line with the emerging market trends and needs gives edge to the Group and the acquisition of the car dealerships business of Bentley, Lamborghini and Rolls-Royce in Beijing is an ideal entry point. In January 2008, the Group entered into a framework agreement with Sparkle Roll Holdings Limited to acquire 2 motor trading companies in Beijing named Beijing Mei He Zhen Yong Motors Trading Limited ("Mei He Zhen Yong") and Beijing De Te Motors Trading Limited ("De Te") to engage in the dealerships of 3 ultra-luxury car and sports car brands including Bentley, Lamborghini and Rolls-Royce in Beijing and some other areas of the PRC. Together with the exclusive entitlement to all of the economic benefits derived from the dealerships of Bentley cars and Lamborghini cars in Beijing under Mei He Zhen Yong and the dealership of Rolls-Royce cars in Beijing under De Te, the acquisition was put at an aggregate consideration of HK$402,000,000. Having approved in a Special General

Meeting held on 8 April 2008, the acquisition was completed on 26 June 2008 and upon such, Mei He Zhen Yong and De Te became the deemed subsidiaries of the Group and their aggregated audited profit after tax from 1 January 2008 to 26 June 2008 that contributed to the increase of their net tangible assets will be kept by the Group and will reduce the goodwill on the acquisition according to the agreement. Bentley, Lamborghini and Rolls-Royce are categorised as ultra-luxury cars with prices ranging from RMB3,000,000 to RMB8,000,000. In the first half of 2008, the car sales volume of the dealerships of Bentley, Lamborghini and Rolls-Royce increased by approximately 125%, 40% and 170% respectively when compared with the same period last year. The remarkable sales performance achieved by the 3 brands reveals China is a market with huge development potential. The Group believes the dealerships acquisition will result in strong organic growth in the coming financial year.

In the future, we will keep on exploring and identifying opportunities in the luxury goods market including one more ultra-luxury sports car, branded watches and accessories, to strengthen our position as one of the leading luxury goods dealers in the PRC, thus enhancing the profitability of the Group in a long run. In July 2008, the Group acquired the dealership of a super deluxe branded watch, Richard Mille in the PRC to signify our commitment to this direction.

Jackie Chan Animations, our landmark project embarking on the international animations market is progressing well. The storyboard of the first 26 episodes named "Jackie Chan's Fantasia" is making strides and licensing of the animation's derivative products is in full gear making it possible for the kick-off of licensing products to go in line with the launch of the first 26 episodes. The Group has just acquired the remaining 49% interest of Dragon Animation Holdings Limited and Dragon Animation Limited in order to capture maximum returns once the animations is ready to launch.

The Group is pleased to report that "Hongying Group" is one of our income drivers in this financial period right after the completion of acquisition in early November 2007. For the financial period between November 2007 and March 2008, Hongyong Group performed remarkably and it has already honored the target of guaranteed profit in the first year ended on 31 December 2007 according to the agreement signed among Jade Dynasty Multi-media Limited and Hong Ying Universe Company Limited.

"Shen Bing Kids", the Group's signature animations project, was well-received by children audience and animations lovers in the PRC. The entire series of 52 episodes was fully broadcasted on CCTV children channel in February 2008. With excellent audience rating and high popularity in the PRC, the Group has actively lobbied for broadcast of the 52 episodes in various national channels including Kaku TV, Hunan Hifly TV, Toonmax TV, Hangzhou

Children and Guangdong Southern Children. Audio-visual products, animations-derived comics books and derivative products of “Shen Bing Kids” have been distributed in full speed throughout the PRC to keep up with the national broadcasts. The Group is now proactively enrolling more local and overseas licensees as well as licensees incorporated in the PRC to enlarge the derivative products portfolio of our animations, hoping to bring promising returns to our shareholders in the coming fiscal year.

Revenue derived from our comic publications business is steady. The Group will unceasingly search for more interesting titles from our established ready-made comics and animations library to cultivate greater readership by catering to wider range of tastes.

To preserve working capital for luxury goods and animations developments, the Group has disposed of its industrial and office premises in a sale-and-leaseback arrangement for 3 years at a consideration of HK$32 million.

Since the Group has repositioned to be a luxury goods dealer in the PRC, our board has recommended changing the Group’s name to Sparkle Roll Group Limited providing a new corporate image for the Group.

In view of the aforesaid plans for business expansion, the board has decided not to propose dividends this year. We will endeavour to roll out our business plans for greater return and look seriously into the resumption of declaring dividends to share the fruits with our shareholders.

## 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 year.

## CORPORATE GOVERNANCE

The Group is committed to maintaining a high standard of corporate governance. The board of directors of the Company (“the Board”) agrees that corporate governance practices are increasingly important for maintaining and promoting investor confidence. Corporate governance requirements keep changing, therefore the Board reviews its corporate governance practices from time to time to ensure that all practices can be met with legal and statutory requirements throughout the year of 2007/08, the Group has complied with all applicable the Code Provisions in the Code on Corporate Governance Practices (“the Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company has been in compliance with the Code throughout the year.

## REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Group's annual results for the year ended 31 March 2008.

**Compliance with the Model Code for Securities Transaction by Directors of Listed Company Issuers**

The Company has adopted of Model Code for Securities Transaction by Directors of Listed Company Issuers "Model Code" 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 year.

The annual report for the year ended 31 March 2008 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange in due course.

By Order of the Board
**Tong Kai Lap**
*Chairman*

Hong Kong, 28 July 2008

*As at the date of this announcement, the Company has five executive Directors, one non-executive Director and three independent non-executive Directors. The executive Directors are Mr. Tong Kai Lap, Mr. Zheng Hao Jiang, Mr. Wan Siu Lun, Mr. Wong Chun Keung, and Mr. Kwong Chi Tak. The non-executive Director is Mr. Ko Chi Keung. The independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Tsui Pui Hung.*