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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your Shares in Sparkle Roll Group Limited, you should hand this circular with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**Sparkle Roll Group Limited****耀萊集團有限公司****(Incorporated in Bermuda with limited liability)***(Stock Code: 970)**

**(1) MAJOR AND CONNECTED TRANSACTION
– ACQUISITION OF A PROPERTY HOLDING COMPANY;
AND
(2) NOTICE OF SGM**

Financial adviser to the Company

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



All capitalised terms used in this circular shall have the meanings ascribed to them in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee is set out on page 17 of this circular. A letter from TC Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 32 of this circular.

A notice convening the SGM to be held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 4:30 p.m. on 11 May 2018 is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed on it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time fixed for holding the SGM (i.e., at or before 4:30 p.m. on 9 May 2018 (Hong Kong time)) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending, and voting at, the SGM or any adjournment thereof if you so wish.

* *for identification purposes only*

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DEFINITIONS

The following expressions in this circular shall, unless the context otherwise requires, have the following meanings:

“Announcement”	the announcement issued by the Company dated 6 March 2018 in relation to the Acquisition
“Acquisition”	the acquisition by the Purchaser of the Sale Interest from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 6 March 2018 entered into among the Vendor, the Purchaser, the Company and the Target Company in relation to the Acquisition
“Audited Financial Statements”	the audited financial statements of the Target Company as of the Audit Reference Date
“Audit Reference Date”	the last day of the month preceding the month of the Completion if the Completion takes place on the 15th day or before of the calendar month; or the last day of the month of the Completion if the Completion takes place after the 15th day of the calendar month
“Beijing Property”	中國北京市朝陽區幸福二村40號 (No. 40 Xinfu 2nd Village, Chaoyang District, Beijing, the PRC)
“Board”	the board of Directors
“Business Day(s)”	means any day(s) except Saturday, Sunday or any day(s) on which banks are not open for business in the PRC by law
“Company”	Sparkle Roll Group Limited, an exempted company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition Agreement
“Completion Date”	the date on which Completion takes place
“connected person(s)”	having the meaning ascribed thereto in the Listing Rules
“Consideration”	RMB652 million (subject to the adjustment set out in “Adjustment of Consideration”)

DEFINITIONS

“controlling shareholder(s)”	having the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Target Company upon the Completion
“Group”	collectively, the Company and its subsidiaries for the time being
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board comprising Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Lee Thomas Kang Bor, being the independent non-executive Directors, appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Acquisition
“Independent Financial Adviser” or “TC Capital”	TC Capital International Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Acquisition Agreement
“Independent Shareholders”	any Shareholder who is not required to abstain from voting at the SGM, if necessary, to approve the Acquisition
“Latest Practicable Date”	18 April 2018, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling three calendar months after the date of the Acquisition Agreement (or such later date as the parties to the Acquisition Agreement may agree in writing)

DEFINITIONS

“MOU”	the memorandum of understanding dated 30 January 2018 entered into among the Company, the Vendor and the Target Company in relation to the proposed acquisition of the entire equity interest in the Target Company by the Company (or any of its wholly-owned subsidiary designated by the Company) from the Vendor
“MOU Announcement”	the announcement of the Company dated 30 January 2018 relating to the signing of the MOU
“PRC”	People’s Republic of China
“Property”	the Property (Completed) and the Property (Extension)
“Property (Completed)”	the property situated at 40-1, Basement Level 1 and Levels 1 to 4 of Tower A, No.40 Xinfu 2nd Village, Chaoyang District, Beijing, the PRC (中國北京市朝陽區幸福二村40號樓A座-1至4層40-1) with gross floor area of 6,248.64 square metres
“Property (Extension)”	the extended portion of the Property (Completed) with gross floor area of 2,064.69 square metres
“Purchaser”	Boao Economic and Trade Development Co. Ltd.* (鉞傲經貿發展有限公司), a company established under the laws of the PRC with limited liability which is a wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the entire equity interest in the Target Company
“SGM”	the special general meeting of the Company to be convened at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai on Friday, 11 May 2018 at 4:30 p.m. to seek Independent Shareholders’ approval in respect of Acquisition Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.002 in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“SFO”	The Securities and Futures Ordinance (Cap 571) of the laws of Hong Kong
“Surplus Value”	net asset value of the Target Company as stated in the Audited Financial Statements without taking into account the value of the Property
“Target Company”	Beijing Wenfu Hengye Technology Development Co., Ltd.* (北京文福恒業科技發展有限公司), a company established under the laws of the PRC with limited liability
“Vendor” or “Mr. Qi”	Mr. Qi Jian Hong (綦建虹), alias Mr. Kei Kin Hung, the controlling shareholder of the Company and the Honorary Chairman of the Group
“%”	per cent.

* *for identification purpose only*

LETTER FROM THE BOARD



Sparkle Roll Group Limited

耀萊集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 970)

Executive Directors:

Mr. Zheng Hao Jiang
(Chairman and Chief Executive Officer)
Mr. Zhu Lei
Mr. Cheung Man Kit

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. Gao Yu
Mr. Qi Jian Wei
Mr. Tang Sung Wai

*Head office and principal place of
business in Hong Kong:*

Rooms 2028-36
20/F Sun Hung Kai Centre
30 Harbour Road Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Choy Sze Chung, Jojo
Mr. Lam Kwok Cheong
Mr. Lee Thomas Kang Bor

24 April 2018

To the Shareholders

Dear Sir/Madam,

**(1) MAJOR AND CONNECTED TRANSACTION
– ACQUISITION OF A PROPERTY HOLDING COMPANY;
AND
(2) NOTICE OF SGM**

INTRODUCTION

Reference is made to the MOU Announcement and the Announcement.

The purpose of this circular is to provide you with, among other things, (i) the details of the Acquisition Agreement and the transactions contemplated thereunder; (ii) the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of

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LETTER FROM THE BOARD

the Acquisition; (iii) the letter of advice from TC Capital to the Independent Board Committee and the Independent Shareholders in the same regard; (iv) the financial information of the Group and the Target Company; (v) the property valuation report of the Property; (vi) the notice of the SGM; and (vii) other information as required under the Listing Rules.

THE ACQUISITION AGREEMENT

Date

6 March 2018

Parties

- (1) Boao Economic and Trade Development Co. Ltd* (鉞傲經貿發展有限公司), being the Purchaser;
- (2) Mr. Qi Jian Hong, being the Vendor;
- (3) the Company; and
- (4) Beijing Wenfu Hengye Technology Development Co., Ltd* (北京文福恒業科技發展有限公司), being the Target Company.

Subject matter

Pursuant to the Acquisition Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Interest.

Consideration

The Consideration for the Sale Interest shall be RMB652 million (subject to adjustment in the paragraph headed “Adjustment of Consideration” below) which shall be settled by way of cash.

The Consideration was determined after arm’s length negotiations among the parties to the Acquisition Agreement and with reference to the market value of the Property (Completed) of approximately RMB667.94 million as of 31 January 2018 as appraised by AVISTA Valuation Advisory Limited (“AVISTA”), an independent valuer appointed by the Company. The full text of the valuation report of the Property is set out in Appendix V to this circular. As disclosed in the section headed “Information of the Target Company and the Property – The Property” of this circular, the Property (Extension) was constructed without the relevant approval and no building ownership certificate has been issued. Given (i) the Group shall not expect that it has to incur any costs or expenses in relation to the conditions under which the Property has existed at time of Completion as any government penalties or claims from third party as a result of the such conditions will be indemnified by the Vendor (details of which are set out in the section headed “Warranties and indemnities by the Vendor in relation to the Property” of this circular), who is the controlling Shareholder

LETTER FROM THE BOARD

holding approximately 53.19% of the issued share capital of the Company and the Honorary Chairman of the Group, for an indefinite period upon Completion; (ii) the Property (Extension) currently has no commercial value given it has not yet obtained any title certificate, based on the valuation report of the Property prepared by AVISTA, and thus its value has not been and cannot be taken into account when determining the Consideration; and (iii) the Vendor has undertaken that he shall assist to follow up with the application for the property ownership certificate of the Property (Extension), the Consideration was determined with reference to the market value of the Property (Completed) as appraised by AVISTA and on the basis that the Consideration approximates the market value of the Property (Completed), the Directors consider the Consideration to be fair and reasonable.

The Consideration shall be paid and satisfied by the Purchaser in cash by two installments in the following manner:

- (1) the first installment of RMB110 million (including the earnest money of RMB20 million paid in accordance with the MOU) shall be paid within 15 Business Days after the date of signing of the Acquisition Agreement (i.e. the Purchaser shall pay an additional RMB90 million to the Vendor within 15 Business Days after the date of signing of the Acquisition Agreement); and
- (2) the second installment of RMB542 million (subject to the adjustment as set out in the paragraph headed “Adjustment of Consideration” below) shall be paid within 30 Business Days after the Completion Date provided that the Audited Financial Statements shall have been available.

As at the Latest Practicable Date, the first installment of RMB110 million of the Consideration has been settled by the internal resources of the Group. The second installment of RMB542 million is expected to be funded by a combination of internal resources of the Group and bank borrowings, of which no less than RMB330 million is expected to be funded by bank borrowings.

Adjustment of Consideration

The Purchaser shall engage auditors to prepare the Audited Financial Statements as of the Audit Reference Date.

In the event that the Surplus Value is less than zero, the second installment of the Consideration shall be adjusted by deducting the negative Surplus Value.

In the event that the Surplus Value is greater than zero, no adjustment shall be made to the Consideration.

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Conditions

Completion is conditional upon fulfillment of the following conditions:

- (1) the property ownership certificate of the Property (Completed) being issued in the name of the Target Company and the capital contribution verification report with respect to the injection of the Property (Extension) as the registered capital of the Target Company being issued and Property (Completed) being free from any encumbrances and the registration of the mortgage in respect of the Property (Completed) being cancelled;
- (2) the representations and warranties made by the Vendor under the Acquisition Agreement being true and correct from the time they were made until the Completion Date;
- (3) there being no enactment, promulgation, implementation or adoption of any law or government order by any government authorities which could cause the transaction contemplated under the Acquisition Agreement illegal or otherwise restrict or prohibit such transaction;
- (4) all authorization, approvals, consents from any government authorities and all relevant consents from third parties (including but not limited to the consents from the Stock Exchange or any government and regulatory authorities) necessary for the purpose of completing the transaction contemplated under the Acquisition Agreement (or, as the case may be, the relevant waiver from compliance) having been obtained;
- (5) the necessary resolution to approve the Acquisition Agreement and the transaction and related document contemplated thereunder having been passed by the Independent Shareholders at the SGM;
- (6) the current directors and supervisor of the Target Company having resigned and the persons designated by the Purchaser having been appointed as directors and supervisor of the Target Company and the relevant resolutions of the shareholders and board of directors to approve such resignation and appointment having been passed in accordance with the articles of the Target Company;
- (7) the Purchaser having completed all the business, financial and legal due diligence review of the Target Company and its business and being satisfied with such results;
- (8) the articles and other ancillary agreements relating to the Acquisition Agreement having been duly executed and the original having been delivered to the Purchaser; and

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- (9) the registration relating to the transfer of the Sale Interest with the State Administration for Industry and Commerce of PRC having been completed and new business license of the Target Company having been obtained (including but not limited to the change in the articles and directors of the Target Company).

The Purchaser may (but not obliged to) waive any of the above conditions (save for conditions (1), (2), (3) (4), (5), and (9) above). If any of the conditions set out above is not fulfilled or, as the case may be, waived by the Purchaser in writing on or before the Long Stop Date, the Acquisition Agreement shall be terminated in accordance with the terms stipulated therein. In such event, the Vendor shall refund the first installment of the Consideration within ten Business Days.

As at the Latest Practicable Date, save that the property ownership certificate of the Property (Completed) has been issued in the name of the Target Company and that the capital contribution verification report with respect to the injection of the Property (Extension) as the registered capital of the Target Company has been issued as set out in condition (1) above, none of the conditions have been fulfilled. The Company has no intention to waive conditions (6) to (8). Waiver of those conditions will not be made unless the Company is satisfied that any such waiver (with or without further condition attached) is fair and reasonable and is in the interest of the Company and its shareholders as a whole.

Completion

Subject to the fulfillment or waiver (as the case may be) of the conditions referred to in the paragraph headed “Conditions” above, Completion shall take place within 10 Business Days after the above conditions being fulfilled or, as the case may be, waived in accordance with the Acquisition Agreement or on such other date as agreed by the parties to the Acquisition Agreement in writing.

As part of the Property is currently being leased by the Vendor to the Group for use as showroom and office, such transactions constitute continuing connected transactions of the Group. Details of such continuing connected transactions are set out in the announcements of the Company dated 30 June 2011 and 26 June 2013. Under the Acquisition Agreement, all rent payable by the Group to the Vendor or the Target Company under the above continuing connected transactions between 1 April 2018 and the Completion Date shall be waived. Upon Completion, as the Group will become owner of the Property, all such continuing connected transactions will cease.

Warranties and indemnities by the Vendor in relation to the Property

Under the Acquisition Agreement, the Vendor has warranted and undertaken that:

- (a) the copies of the title documents and other governmental documents relating to the Property that the Target Company supplied to the Purchaser are true and complete;

LETTER FROM THE BOARD

- (b) the title of the Property (Completed) shall be transferred to the Target Company and the relevant property ownership certificate shall be issued to the Target Company before the Long Stop Date;
- (c) the capital verification report in respect of the Property (Extension) shall be issued and the relevant registration at the industry and commerce bureau shall be completed before the Long Stop Date;
- (d) all registration of mortgage in respect of the Property (Completed) shall be cancelled before the Long Stop Date;
- (e) the Target Company shall be able to use the Property without any interruption and there is no restriction of its current usage under any contract or law; and
- (f) the Vendor shall assist to follow-up with all compliance action(s) to be taken with the relevant government authorities concerning the Property (Extension), including the application for the property ownership certificate of the Property (Extension).

The Vendor has undertaken to indemnify the Target Company for any fine, compensation or liability arising from any government penalties or claims from third party as a result of the conditions under which the Property has existed at the time of Completion, including claims that the Target Company is not able to use the Property without interruption or current usage of the Property is subject to restriction. As advised by the Company's PRC legal advisers, the length of period covered by the Vendor's indemnity undertaking is indefinite. In the event such claim arises before the payment of the second installment of the Consideration, the Purchaser shall be entitled to deduct such amount from the second installment of the Consideration. In the event such claim arises after the payment of the second installment of the Consideration by the Purchaser, then the Vendor shall pay the amount to the Target Company within 15 Business Days after such claim arises.

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Target Company

The Target Company was established in the PRC on 31 August 2017 as a sole proprietorship and was subsequently converted to a company with limited liability on 17 November 2017. The Target Company has not commenced business since its establishment and is intended to be established as a property holding company for holding the Property. The Target Company is wholly-owned by the Vendor since its establishment up to the Latest Practicable Date. According to the Business Licence, the registered capital of the Target Company on the date when it was converted to a company with limited liability on 17 November 2017 was RMB596,314,300, and was subsequently increased by RMB30 million to RMB626,314,300 on 6 February 2018. As at the Latest Practicable Date, the Target Company has a registered and paid up capital of RMB626,314,300 which was contributed in the form of cash of RMB36,000,000, in the form of net assets brought forward from the predecessor sole proprietorship of the Target Company of RMB897,500, in the form of contribution in kind by way of transfer of ownership of Property (Completed) of

LETTER FROM THE BOARD

RMB452,264,100 and Property (Extension) of RMB137,152,700. The Property (Completed) is currently under mortgage to secure a banking facility granted to a company owned by the Vendor, which the Vendor shall procure for its release before the Long Stop Date.

The Property was acquired by the Vendor in 2010. The Sale Interest was acquired by the Vendor on 31 August 2017, being the date of establishment of the predecessor sole proprietorship of the Target Company. The original acquisition cost of the Property and Sale Interest by the Vendor was RMB250,000,000. The Company considers that the substantial increase of the value of the Property was driven by the overall increase in the property price in the city over the past decade, and the momentum of such increase may mainly due to, among other factors, the advancement in the urban planning and public facilities of the Chaoyang District, increasing number of international brand retailers opened stores and international corporations opened office in close proximity of the Property, which attract more local citizens and tourists to visit the area and the advancement of Beijing Subway which further enhances the easy accessibility of the area of the Property with the rest of the Beijing City.

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company.

The Property

The Property is situated at 40-1, Basement Level 1 and Levels 1 to 4 of Tower A, No. 40 Xinfu 2nd Village, Chaoyang District, Beijing, the PRC (中國北京市朝陽區幸福二村40號樓A座-1至4層40-1). Part of the Property is being used by the Group as showrooms and office.

The Property (Completed) comprises a 4-storey complex building with a level of basement which was completed in about 2005 and the Property (Extension) was completed in about 2008. The Property (Completed) has a gross floor area of 6,248.64 sq.m. and the relevant building ownership certificate has been granted to the Vendor for a term expiring on 9 January 2053 for composite use. The Property (Extension) has a gross floor area of 2,064.69 sq.m. and given that the Property (Extension) was constructed without the relevant approval, no building ownership certificate has been issued.

Pursuant to the administrative penalty decision and letters issued by the Beijing Municipal Commission of Urban Planning (北京市規劃委員會), the Vendor has been fined in the amount of RMB10,998,669 as a result of the Property (Extension). As advised by the Company's PRC legal advisers, there is no material legal risk that the Group or the Target Company will be fined as a result of the Property (Extension) and there is no legal risk that the Property (Extension) would be required to be demolished or its use being restricted, and that the Group could legally use and lease out the Property (Extension) after Completion. As advised by the Company's PRC legal advisers, the Property (Completed) and Property (Extension) are free to own, use and transfer by the Company through its ownership in the Target Company upon Completion. Based on the above legal advice and the warranties and indemnities given by the Vendor in relation to the Property, the Directors consider that the acquisition of the Property through the Acquisition is in the interest of the Company and the Shareholders as a whole.

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The Company has intention to evaluate and investigate the making of an application for property ownership certificate in respect of the Property (Extension) with the view to reaching a decision within six months of Completion. The making of any such application and its timing will be dependent on the Company's assessment of the likely amount of land premium payable at the relevant time. As the Company will become owner to the Property (Extension) after Completion, the Company will pay for the land premium as the owner should it decide to apply for the property ownership certificate of the Property (Extension). As advised by the Company's PRC legal advisers, the land premium shall be assessed and determined by the relevant authority after the application of the property ownership certificate is submitted which the relevant authority may take into account the grading of the land, usage and size of the property and reference land price issued by the government in the course of its assessment. Solely for reference purpose only, based on the 《北京市人民政府關於更新出讓國有建設用地使用權基準地價的通知》 (Notice of updated reference price for transfer of construction land use rights issued by Beijing People's Government*) and the attachment to such notice and other relevant laws and regulations, assuming the land on which the Property (Extension) is erected is a grade two land and by using the high end of the reference land price stated in the above notice, the land premium would be around RMB59.3 million if the usage of the Property (Extension) is commercial and RMB58.0 million if the usage of the Property (Extension) is office. However, the Company wishes to emphasize that the above land premium amount is an estimate only based on currently available information and the actual land premium amount is subject to change of government policy, final assessment and determination of the relevant authority.

As advised by the Company's PRC legal advisers (which opinions are contained on pages VI-12 and VI-14 in Appendix VI to this circular), there shall not be any material legal impediment on obtaining the property ownership certificate of the Property (Extension). It is the understanding of the Company that the procedures are administrative in nature which mainly involves submission of application and payment of the requisite land premium.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, the financial results, assets and liabilities of the Target Company will be consolidated into the financial statements of the Group. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisitions on the assets and liabilities of the Group as if the Acquisition had taken place as at 31 December 2017 is set out in Appendix IV to this circular. However, it should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group would be upon Completion.

Assets and liabilities

As at 30 September 2017, the unaudited consolidated total assets of the Group were approximately HK\$2,547,889,000. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the unaudited pro forma consolidated total assets of the Enlarged Group would have been increased to approximately HK\$3,241,859,000, representing an increase of approximately 27.24% as compared to the unaudited consolidated total assets of the Group as at 30 September 2017.

LETTER FROM THE BOARD

As at 30 September 2017, the unaudited consolidated total liabilities of the Group were approximately HK\$652,727,000. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the unaudited pro forma consolidated total liabilities of the Enlarged Group would have been increased to approximately HK\$1,302,711,000, representing an increase of approximately 99.58% as compared to the unaudited consolidated total liabilities of the Group as at 30 September 2017.

Net assets

As at 30 September 2017, the unaudited consolidated net assets of the Group were approximately HK\$1,895,162,000. Based on the unaudited pro forma financial information of the Enlarged Group as set out in the Appendix IV to this circular, the unaudited pro forma consolidated net assets of the Enlarged Group would have been increased to HK\$1,939,148,000, representing an increase of approximately 2.32% as compared to the unaudited consolidated net assets of the Group as at 30 September 2017.

Earnings

According to the annual report of the Company for the year ended 31 March 2017, the audited consolidated net profit of the Group for the year ended 31 March 2017 was approximately HK\$89,751,000. According to the financial information of the Target Company as set out in Appendix II to this circular, the audited net loss of the Target Company for the period from 31 August 2017 (being the date of establishment) to 31 December 2017 was approximately RMB209,000. Upon Completion, the Group does not consider consolidating the financial performance of the Target Company will have material impact on the financial performance of the Enlarged Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. Its subsidiaries are principally engaged in distributorships of luxury goods. The operations are mainly based in Hong Kong, the PRC and Malaysia.

The Group has been leasing part of the Property (Completed) since 2011 as its showrooms and offices for its distributorship business of luxury branded goods in Beijing. Also, the Group is leasing part of the Tower B of Beijing Property, which is adjacent to the Property, which is also used as showroom for luxury automobiles and office of the Group. The Group has invested a sizeable amount on developing the Property and Tower B of the Beijing Property into shopping mall complexes, which is non-transferable and immovable in nature, that provide platforms for cross-selling of the Group's products to its prestigious customers and able to demonstrate brand owners the commitment of the Company to develop long-term distributorships for their brands and thus enhancing the Company in securing the rights of the distributorships in the future.

LETTER FROM THE BOARD

In addition to the above, the Group also considers the Acquisition will help to save on rental expenditure of the Group of approximately RMB30.48 million annually and enable the Group to explore investment opportunities in the real property market in the PRC, and given that as part of the Property is currently used by the Group, the Acquisition could minimize the number of connected transactions between the Group and its connected persons.

Upon Completion, the Group intends to use the portion of the Property not being under lease from the Vendor, which is currently being used by the Vendor as office, as the office to accommodate its business expansion needs and/or for leasing. And the Group does not intend to lease back the portion of the Property currently not being under lease to the Vendor.

Based on the above, the Directors consider that although the Acquisition is not in the ordinary course of business of the Group and yet given the nature of the transaction, the terms and conditions of the Acquisition are fair and reasonable and are entered into on normal commercial terms and in the interests of the Group and the Shareholders as a whole. Mr. Zhu Lei, an executive Director, is the brother-in-law of the Vendor. Mr. Qi Jian Wei, a non-executive Director, is the elder brother of the Vendor. Mr. Zhu Lei and Mr. Qi Jian Wei are considered to have material interests in the Acquisition Agreement and have abstained from voting on the Board resolutions approving the Acquisition Agreement. Save as disclosed, no Director has a material interest in the Acquisition Agreement.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition exceed 25% but below 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

Furthermore, as the Vendor is the controlling shareholder of the Company and thus a connected person of the Company, the Acquisition constitutes a connected transaction of the Company which is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The SGM will be held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 11 May 2018 at 4:30 p.m., Hong Kong for the purpose of approving, among other matters, the Acquisition Agreement and the transactions contemplated thereunder by way of poll.

At the SGM, any Shareholders with a material interest in the Acquisition are required to abstain from voting in respect of the resolution(s) approving the Acquisition. As Mr. Qi has material interest in the Acquisition and is a party to the Acquisition Agreement, Mr. Qi and his associate(s) shall abstain from voting at the SGM for approving the Acquisition Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Qi and his associates held 2,628,236,630 Shares, representing approximately 53.19% of the issued share capital of the Company.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Whether or not the Shareholders are able to attend the SGM, the Shareholders are requested to complete and return the accompanying form of proxy in accordance with the instructions printed on it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time fixed for holding the SGM (i.e. at or before 4:30 p.m. on 9 May 2018 (Hong Kong time)) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude the Shareholders from attending, and voting at, the SGM or any adjournment thereof if the Shareholders so wish.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of the Shareholders to attend and vote at the SGM (or at any adjournment thereof), the Company's register of members will be closed from Tuesday, 8 May 2018 to Friday, 11 May 2018 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 7 May 2018.

RECOMMENDATIONS

TC Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Acquisition Agreement and the transactions contemplated thereunder. The text of the letter of advice from TC Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 33 of this circular.

The Independent Board Committee comprising all the independent non-executive Directors who are not interested in the Acquisition, namely Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Lee Thomas Kang Bor, has been established to consider, and advise the Independent Shareholders as to whether the terms of the Acquisition Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and how to vote on the resolution(s) regarding the Acquisition Agreement at the SGM. The letter from the Independent Board Committee, which contains its advice to the Independent Shareholders in respect of the Acquisition Agreement and the transaction contemplated thereunder, is also set out on page 17 of this circular.

The Directors consider that the Acquisition Agreement and the Acquisition contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM for approving the Acquisition Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Sparkle Roll Group Limited
Zheng Hao Jiang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Sparkle Roll Group Limited

耀萊集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 970)

24 April 2018

To the Independent Shareholders

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION
– ACQUISITION OF A PROPERTY HOLDING COMPANY**

We have been appointed as members of the Independent Board Committee to give our advice on the Acquisition Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board included in the circular issued by the Company to the Shareholders dated 24 April 2018 (“Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

TC Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. The letter from TC Capital is set out on pages 18 to 33 of the Circular.

Having considered the terms of the Acquisition Agreement and the advice of TC Capital, we consider that although the Acquisition is not in the ordinary and usual course of business of the Company, the terms of the Acquisition Agreement are fair and reasonable in so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Acquisition Agreement and the transactions contemplated thereunder at the SGM.

Yours faithfully,

For and on behalf of the
Independent Board Committee

**Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong
and Mr. Lee Thomas Kang Bor**

Independent non-executive Directors

* *for identification purposes only*

LETTER FROM TC CAPITAL

Set out below is the text of a letter received from TC Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, prepared for the purpose of inclusion in this circular.



24 April 2018

The Independent Board Committee and the Independent Shareholders

Sparkle Roll Group Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF A PROPERTY HOLDING COMPANY

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 24 April 2018 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

On 30 January 2018, the Company, the Vendor and the Target Company entered into the MOU in relation to the proposed acquisition of the entire equity interest in the Target Company by the Company (or any of its wholly-owned subsidiary designated by the Company) from the Vendor. Subsequently on 6 March 2018, the Purchaser (which is a wholly-owned subsidiary of the Company), the Vendor, the Company and the Target Company entered into the Acquisition Agreement for the acquisition of the entire equity interest in the Target Company at the Consideration of RMB652 million (subject to adjustment in accordance with the Acquisition Agreement) which shall be settled by way of cash.

As the applicable percentage ratios in respect of the Acquisition exceed 25% but below 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

Furthermore, as the Vendor is the controlling shareholder of the Company and thus a connected person of the Company, the Acquisition constitutes a connected transaction of the Company which is subject to the reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM TC CAPITAL

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Lee Thomas Kang Bor, has been established to advise the Independent Shareholders as to (i) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) whether the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Our role as the Independent Financial Adviser is to provide independent opinion and recommendation to the Independent Board Committee and the Independent Shareholders in this regard and as to whether the Independent Shareholders should vote in favour of the relevant resolution approving the Acquisition at the SGM.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Acquisition Agreement; (ii) the annual report of the Company for the year ended 31 March 2017 (the “**2017 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 September 2017 (the “**2017/18 Interim Report**”); (iv) the accountants’ report of the Target Company for the period from 31 August 2017 (date of establishment) to 31 December 2017 (the “**Accountants’ Report**”) as set out in appendix II to the Circular; (v) the valuation report of the Property (the “**Valuation Report**”) prepared by AVISTA Valuation Advisory Limited (“**AVISTA**”) as set out in appendix V to the Circular; (vi) the PRC legal opinion (the “**PRC Legal Opinion**”) in relation to the Acquisition prepared by the Purchaser’s PRC legal adviser as set out in appendix VI to the Circular; (vii) other information as set out in the Circular; and (viii) the relevant market information and trends of the related market. We have also relied on all relevant information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible are true, accurate and complete in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and the management of the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and/or referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of each of the Company, the Purchaser, the Vendor and the Target Company and any of their respective subsidiaries and associates.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in

LETTER FROM TC CAPITAL

relation to transactions as detailed in the composite document of the Company dated 23 December 2016 and the circular of the Company dated 25 November 2016 respectively. Given (i) our independent role in the abovementioned engagements; and (ii) that our fees for the abovementioned engagements represented an insignificant percentage of our revenue, we consider that the abovementioned engagements would not affect our independence to form our opinion in respect of the Acquisition.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

I. Background information of the Group, the Vendor, the Target Company and the Property

1. The Group

As set out in the Letter from the Board, the Company is an investment holding company and its subsidiaries are principally engaged in distributorships of luxury goods. The operations of the Group are mainly based in Hong Kong, the PRC and Malaysia.

The table below summarises the consolidated financial information of the Group for the two years ended 31 March 2017 and the six months ended 30 September 2016 and 2017 as extracted from the 2017 Annual Report and the 2017/18 Interim Report:

	For the year ended		For the six months	
	31 March		ended 30 September	
	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue				
– Sale of automobiles	2,041,611	2,395,631	1,183,254	1,238,822
– Income from provision of after-sales services	137,251	123,550	65,267	45,826
– Sale of branded watches and jewelleryes	127,197	126,469	76,933	54,379
– Sale of other merchandised goods	<u>70,845</u>	<u>135,572</u>	<u>43,905</u>	<u>89,533</u>
Total revenue	<u>2,376,904</u>	<u>2,781,222</u>	<u>1,369,359</u>	<u>1,428,560</u>
Gross profit	189,103	330,884	147,817	169,857
Profit/(Loss) for the year/period	(33,680)	89,751	34,067	5,354

LETTER FROM TC CAPITAL

	As at 31 March		As at 30
	2016	2017	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Cash at banks and in hand	157,164	192,103	95,507
Net assets	1,083,726	1,787,827	1,895,162

The revenue of the Group increased by approximately HK\$404 million or 17.0% from approximately HK\$2,377 million for the year ended 31 March 2016 to approximately HK\$2,781 million for the year ended 31 March 2017. As stated in the 2017 Annual Report, the increase was mainly due to the increase in segment revenue from the sale of automobiles. The total sales of Bentley amounted to approximately HK\$1,400 million for the year ended 31 March 2017, representing an increase of approximately 24% as compared with the previous year. The gross profit of the Group increased by approximately HK\$142 million or 75.0% for the year ended 31 March 2017 from approximately HK\$189 million for the year ended 31 March 2016 to approximately HK\$331 million for the year ended 31 March 2017, primarily attributable to the increase in the gross profit from sale of automobiles and increase in bonus from suppliers by in total of approximately 1.7 times; and the increase in the gross profit from sale of audio equipment by approximately 104%. The Group recorded a profit for the year of approximately HK\$90 million for the year ended 31 March 2017 as compared with a loss for the year of approximately HK\$34 million for the previous year, which was mainly due to the increase in gross profit and the decrease in finance costs for the year ended 31 March 2017.

The revenue of the Group increased by approximately HK\$59 million or 4.3% from approximately HK\$1,369 million for the six months ended 30 September 2016 to approximately HK\$1,429 million for the six months ended 30 September 2017. According to the 2017/18 Interim Report, the increase in revenue was mainly due to the increase in the sales of Rolls-Royce for the sale of automobiles segment and the sales of other merchandised goods. The total sales of Rolls-Royce amounted to approximately HK\$548 million for the six months ended 30 September 2017, representing an increase of approximately 27% as compared with the corresponding period in the previous year. As for the sale of other merchandised goods segment, B&O PLAY performed the best in terms of revenue contribution. The gross profit of the Group increased by approximately HK\$22 million or 14.9% from approximately HK\$148 million for the six months ended 30 September 2016 to approximately HK\$170 million for the six months ended 30 September 2017. Such increase was mainly due to the increase in gross profit from sale of automobiles. The Group recorded a profit of approximately HK\$5 million for the six months ended 30 September 2017, representing a decrease of approximately HK\$29 million or 84.3% as compared with a profit of approximately HK\$34 million for the six months ended 30 September 2016. Such decrease was mainly due to the share of loss of an associate of the Company and the increase in other expenses mainly resulted from the provision made for possible liquidated damages for the litigation.

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The cash at banks and in hand of the Group increased by approximately HK\$35 million or 22.2% from approximately HK\$157 million as at 31 March 2016 to approximately HK\$192 million as at 31 March 2017, which was mainly due to the decrease in inventory level, and such balance was decreased to approximately HK\$96 million as at 30 September 2017 mainly attributable to loans receivables including the investment of subscribing P2P financing portfolios during the six months ended 30 September 2017. On 13 November 2017, the Company completed a placing of Shares and raised net proceeds of approximately HK\$441 million which are intended to be used for repayment of borrowings, expansion of the audio business of the Group and as general working capital purposes. The net assets of the Group increased by approximately HK\$704 million or 65.2% from approximately HK\$1,084 million as at 31 March 2016 to approximately HK\$1,788 million as at 31 March 2017, which was mainly due to the acquisition of 15.09% of Bang & Olufsen A/S by consideration shares during the year ended 31 March 2017. The net assets of the Group as at 30 September 2017 was at a relatively stable level when compared with the amount as at 31 March 2017.

As disclosed in the 2017/18 Interim Report, the PRC is expected to become the largest luxury car market in the next two years. Automobile dealerships are principal businesses of the Group and the Directors remain cautiously optimistic towards the automobile division of the Group. Moreover, the Group will remain cautiously optimistic and committed to continue its leading roles as a luxury goods manager. In view of the satisfactory performance of the B&O PLAY dealership business in the PRC, audio equipment business will be one of the focuses to the Group in the upcoming financial years.

2. *The Vendor*

The Vendor is Mr. Qi Jian Hong (綦建虹) alias Mr. Kei Kin Hung who is a controlling shareholder (as such term is defined under the Listing Rules) of the Company. The Vendor held the entire equity interest in the Target Company as at the Latest Practicable Date.

3. *The Target Company and the Property to be held by the Target Company*

The Target Company was established in the PRC on 31 August 2017 as a sole proprietorship and was subsequently converted to a company with limited liability on 17 November 2017. As stated in the Letter from the Board, the registered capital of the Target Company on the date when it was converted to a company with limited liability on 17 November 2017 was RMB596,314,300, and was subsequently increased by RMB30 million to RMB626,314,300 on 6 February 2018. As at the Latest Practicable Date, the Target Company had a registered and paid up capital of RMB626,314,300 which was contributed in the form of cash of RMB36,000,000, in the form of net assets brought forward from the predecessor sole proprietorship of the Target Company of RMB897,500, in the form of contribution in kind by way of transfer of ownership of the Property (Completed) of RMB452,264,100 and the Property (Extension) of RMB137,152,700. The Target Company recorded a loss of approximately RMB209,000 for the period from 31 August 2017 (date of establishment) to 31 December 2017 and

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net assets of approximately RMB689,000 as at 31 December 2017. The Target Company has not commenced business since its establishment and is intended to be established as a property holding company for holding the Property situated at 40-1, Basement Level 1 and Levels 1 to 4 of Tower A, No.40 Xinfu 2nd Village, Chaoyang District, Beijing, the PRC (中國北京市朝陽區幸福二村40號樓A座-1至4層40-1). The Property (Completed) comprises a 4-storey complex building with a level of basement which was completed in about 2005 and the Property (Extension) was completed in about 2008. The Property consists of the Property (Completed) and the Property (Extension) in which the Property (Completed) has a gross floor area of 6,248.64 square metres and the Property (Extension) has a gross floor area of 2,064.69 square metres. Part of the Property is being used by the Group as showrooms and office.

Pursuant to the administrative penalty decision and letters issued by the Beijing Municipal Commission of Urban Planning (北京市規劃委員會), the Vendor has been fined in the amount of RMB10,998,669 as a result of the Property (Extension). According to the PRC Legal Opinion, the fine had been fully settled as at the Latest Practicable Date and the Group or the Target Company did not have significant legal risks of the administrative punishment to be made by the relevant government departments and of payment of administrative penalty because of the Property (Extension) once again and also significant legal risks due to the dismantlement or prohibition, restriction of use because of the illegal construction of the Property (Extension) did not exist after Completion and the Target Company would have the right to continue to legally use and legally rent out the Property (Extension) to others. As advised by the Company's PRC legal advisers, the Property (Completed) and Property (Extension) are free to be owned, used and transferred by the Company through its ownership in the Target Company upon Completion.

The capital contribution verification report with respect to the injection of the Property (Extension) as registered capital of the Target Company has been issued, which is also one of the conditions precedent to completion of the Acquisition Agreement. As stated in the Letter from the Board, the condition of the Acquisition Agreement that the property ownership certificate of the Property (Completed) being issued in the name of the Target Company has been fulfilled. Nevertheless, the Property (Extension) was constructed without the relevant approval and therefore no property ownership certificate for the Property (Extension) was issued upon completion of the Property (Extension). In order to transfer the rights of the Property (Extension) to the Target Company, the Property (Extension) has been injected into the Target Company as registered capital. As at the Latest Practicable Date, the capital contribution verification report with respect to the injection of the Property (Extension) as registered capital of the Target Company has been issued and the relevant registration at the industry and commerce bureau shall be completed before the Long Stop Date. The Company has intention to evaluate and investigate the making of an application for property ownership certificate in respect of the Property (Extension) with the view to reaching a decision within six months of Completion. The making of any such application and its timing will be dependent on the Company's assessment of the likely amount of land premium payable at the relevant time. According to the PRC Legal Opinion, there is no major uncertain factors such as legal obstacle, difficulty, delay or approval not being granted in respect of the purchase of a stake in the Target

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Company by the Vendor using the Property (Extension) as consideration through capital contribution. The Vendor has further warranted under the Acquisition Agreement that the Target Company shall be able to use the Property without any interruption. He has also undertaken to indemnify the Target Company for any fine, compensation or liability arising from any government penalties or claims from third party as a result of the conditions under which the Property has existed at time of Completion, including claims that the Target Company is not able to use the Property without interruption or current usage of the Property is subject to restriction. As advised by the Company's PRC legal advisers, the length of period covered by the Vendor's indemnity undertaking is indefinite.

As stated in the Letter from the Board, the Property (Completed) is currently under mortgage to secure a banking facility granted to a company owned by the Vendor. The Vendor shall procure for its release before the Long Stop Date. According to the PRC Legal Opinion, there is no major uncertain factor such as legal obstacle, difficulty, delay or approval not being granted in respect of the purchase of a stake in the Target Company by the Vendor using the Property (Completed) as consideration through capital contribution, as well as of the change of real estate ownership of the Property (Completed) under the name of the Vendor to under the name of the Target Company.

II. The Acquisition Agreement

1. *Reasons for and benefits of entering into the Acquisition Agreement*

- (i) *In line with the Group's business strategy and take advantages over the prospects of the luxury goods market in the PRC*

As stated above, the Group is principally engaged in distributorships of luxury goods and the sales of luxury automobiles contributed approximately 86.1% and 86.7% of the total revenue of the Group for the year ended 31 March 2017 and the six months ended 30 September 2017 respectively. The Directors expect that the sales of luxury automobiles will remain as the main revenue stream of the Group. As stated in the Letter from the Board, the Group has been leasing part of the Property (Completed) since 2011 as its showrooms and offices for its distributorship business of luxury branded goods in Beijing. Also, the Group is leasing part of Tower B of the Beijing Property adjacent to the Property, which is also used as showroom for luxury automobiles and office of the Group. The Group has invested a sizeable amount on developing the Property and Tower B of the Beijing Property into shopping mall complexes, which is non-transferrable and immovable in nature, that provide platforms for cross-selling of the Group's products to its prestigious customers. The Directors also consider that this could demonstrate brand owners the commitment of the Company to develop long-term distributorships for their brands and thus assist the Company in securing the rights of the distributorships in the future. As further advised by the Directors, the prospect of audio equipment market in the PRC is positive and the Group intends to use the portion of the Property as the office for audio equipment business. According to the 2017/18 Interim Report, the sales of B&O PLAY's

LETTER FROM TC CAPITAL

products performed the best in terms of revenue contribution in the sale of other merchandised goods segment. The Group also intends to use the remaining portion of the Property not being under lease from the Vendor as the office to accommodate its business expansion needs and/or for leasing.

According to a global luxury study report issued on 25 October 2017 titled “Global Personal Luxury Goods Market Returns to Healthy Growth, Reaching a Fresh High of €262 billion in 2017” by Bain & Company which is a global management consulting firm, the overall luxury market encompassing both goods and luxury experience grew by 5% to an estimated €1.2 trillion globally in 2017. Sales of luxury cars continued to drive the market, growing at 6% to reach €489 billion in total. The core market for personal luxury goods reached a fresh record high of €262 billion, boosted by a return of Chinese buying both at home and abroad as well as stronger purchasing trends in other regions. The report also stated that China was a clear top performer in the luxury goods market and Chinese consumption bounced back in 2017, fueled by renewed consumer confidence and the rapid emergence of a new and increasingly fashion-savvy middle class. The share of global personal luxury purchases by Chinese nationals reached 32% in 2017.

Furthermore, according to the article titled “Chinese Buyers Spur Rise in Global Luxury Car Sales” published on 18 February 2018 by Nikkei Asian Review, the Asian economic powerhouse led sales growth by far: The number of luxury sold in the country rose 17%, compared to a paltry 1% in the rest of the world and the growing number of wealthy individuals in China helped accelerate premium vehicle sales despite restrictions on luxury consumption by government officials. According to the Notice on Imposing Additional Consumption Tax on Super-luxury Cars* (《關於對超豪華小汽車加徵消費稅有關事項的通知》) issued by the State Administration of Taxation of the PRC on 30 November 2016, the consumption tax of 10% on the sale price would be imposed on the sale of luxury automobiles the prices of which are RMB1.3 million or above. Moreover, according to research report titled “China/ Hong Kong Industry Focus – China Auto Sector” dated 1 August 2017 issued by DBS Group Research Equity, the sales of luxury cars is on the rise in China and Chinese consumers prefer the more expensive cars therefore in recent years the high-end and premium car demand has been holding well. Also, the auto financing helps to drive higher price car sales that consumers are buying more expensive cars on credit. This could also hold true for China as consumers are going for the more expensive models.

Based on (i) that the Group is currently leasing part of the Property (Completed) and Tower B of the Beijing Property adjacent to the Property for the distributorships of luxury goods including luxury automobiles which is expected to remain as the main revenue stream of the Group; (ii) the strong demand for the nearby showroom space in recent years and the Group’s plan to expand the office of distributorship of audio equipment products in the Property; and (iii) the positive prospects of the luxury goods and vehicles market in the PRC as mentioned above, we concur with the Directors that the Acquisition is in line with

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the Group's business strategy and would allow the Group to capture the advantages over the prospects of the luxury goods market in the PRC in the future.

(ii) *To minimise the risks of relocation of the existing showrooms and offices and the number of connected transactions between the Group and its connected persons*

As stated above, the Group is currently leasing part of the Property (Completed) and the Group has invested a sizeable amount for the leasehold improvement in the existing showrooms and offices located in the Property (Completed) and Tower B of the Beijing Property, which is non-transferrable and immovable in nature. In the event that the Vendor does not renew the lease of the Property (Completed) upon expiration in 2021, the Group may suffer from the loss of existing leasehold improvement as well as the associated relocation costs. Furthermore, there is the risk that the Vendor or the landlord (if the Vendor sold the Property (Completed) to other parties in the future) will bargain to increase the rent after the existing lease period. The above factors may pose adverse impact on the operation as well as financial performance of the Group. Therefore, the Acquisition will mitigate the above risks and secure the availability of the showrooms and offices of the Group in the future. The Directors also consider that the Acquisition will help save on rental expenditure of the Group and enable the Group to explore investment opportunities in the real property market in the PRC.

As further advised by the Directors, the existing lease of part of the Property from the Vendor constitutes a continuing connected transaction of the Group. The Acquisition will enable the Group to reduce its reliance on the Vendor who is the controlling shareholder of the Company and minimise the number of connected transactions between the Group and its connected persons.

Taking into account of the above, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

2. *Principal terms of the Acquisition Agreement*

The principal terms of the Acquisition Agreement have been set out in the Letter from the Board and are summarised below:

Date : 6 March 2018

Parties : (i) Boao Economic and Trade Development Co. Ltd*
(鉞傲經貿發展有限公司), being the Purchaser;

(ii) Mr. Qi Jian Hong, being the Vendor;

(iii) the Company; and

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(iv) Beijing Wenfu Hengye Technology Development Co., Ltd* (北京文福恒業科技發展有限公司), being the Target Company.

- Subject matter : Pursuant to the Acquisition Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Interest.
- Consideration : The Consideration for the Sale Interest shall be RMB652 million (subject to adjustment) which shall be settled by way of cash.
- Adjustment of Consideration : The Purchaser shall engage auditors to prepare the Audited Financial Statements as of the Audit Reference Date. In the event that the Surplus Value is less than zero, the second installment of the Consideration shall be adjusted by deducting the negative Surplus Value. In the event that the Surplus Value is greater than zero, no adjustment shall be made to the Consideration.

Further details of the Acquisition Agreement are set out in the Letter from the Board.

3. Consideration for the Acquisition, payment terms and source of funding

Pursuant to the Acquisition Agreement, the Consideration of RMB652 million shall be paid and satisfied by the Purchaser in cash by two installments in the following manner:

- the first installment of RMB110 million (including the earnest money of RMB20 million paid in accordance with the MOU) shall be paid within 15 Business Days after the date of signing of the Acquisition Agreement (i.e. the Purchaser shall pay an additional RMB90 million to the Vendor within 15 Business Days after the date of signing of the Acquisition Agreement); and
- the second installment of RMB542 million (subject to the adjustment as set out in the paragraphs headed “Principle terms of the Acquisition Agreement” above) shall be paid within 30 Business Days after the Completion Date provided that the Audited Financial Statements shall have been available.

As stated in the Letter from the Board, the Consideration is expected to be funded by the internal resources of the Group and bank borrowings.

In light of that (i) the payment arrangement of the Consideration reflects the progress of the Acquisition; (ii) Completion is conditional on the Property (Extension) being injected to the Target Company as part of the registered capital of the Target Company; and (iii) the Consideration will be adjusted in the event that the Surplus

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Value is lower less than zero, we are of the view that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4. Basis of Consideration

As set out in the Letter from the Board, the Consideration was determined after arm's length negotiations among the parties to the Acquisition Agreement and with reference to the market value of the Property (Completed) of approximately RMB667.94 million as of 31 January 2018 as appraised by AVISTA.

In order to assess the basis in determining the Consideration, we have reviewed the Valuation Report of the Property produced by AVISTA and have discussed with AVISTA and the management of the Company. We noted that AVISTA has adopted the market approach in valuing the Property (Completed) by making reference to sale asking in its assessment of the market value of a property interest. This approach resets on sale asking as the best indicator and pre-supposes that evidence of relevant sale asking in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

In conducting the valuation of the Property, AVISTA has also adopted the following assumptions:

- The seller sells the property interests on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest
- The proper title certificate to the Property has been obtained which can be freely transferred in the market in its existing state with no outstanding payable fees or monies
- No allowance has been made in the Valuation Report for any charges, mortgages or amounts owing on the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. It is also assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

According to the Valuation Report, we understand that the valuation is the opinion of AVISTA of market value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the Property (Completed), AVISTA has adopted the market approach by analysing comparable properties of similar size, scale, nature, character and location and weighed against all the respective advantages and disadvantages of the Property (Completed) in order to arrive at a fair comparison of market value. In addition, the

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market approach rests on the wide acceptance with references to asking prices of the comparables to the Property and pre-supposes that evidence of sale asking in the market place can be extrapolated to similar properties, subject to allowances for variable factors. In this regard, we have reviewed the comparables selected by AVISTA and discussed the basis of selection of comparables with AVISTA. AVISTA has further advised us that (i) the discount rate of 5% for sale asking was adopted on the valuation of the Property (Completed); and (ii) the publicly available market information on transaction prices of comparable properties in the PRC is limited and therefore it is normal industry practice to analyse asking prices in addition to transaction prices of comparable properties in the PRC.

We have also discussed with AVISTA and understand that AVISTA has considered three different generally accepted valuation methods, namely the market approach, the cost approach and the income approach in arriving at the market value of the Property (Completed). Based on our discussions with AVISTA, AVISTA considers that it is most appropriate to adopt the market approach as compared with the cost approach and the income approach because the subject assets are actively publicly traded and there are frequent and/or recent observable askings. Furthermore, AVISTA confirmed that the adoption of market approach is a normal industry practice for the Property (Completed) based on their expertise and experience.

As for the valuation of the Property (Extension), AVISTA has assigned no commercial value to the Property (Extension) which has not obtained any title certificate. The parties to the Acquisition did not take into account of any value of the Property (Extension) when determining the Consideration. The Consideration was determined after arm's length negotiations and with reference to the market value of the Property (Completed) of approximately RMB667.94 million as of 31 January 2018. As mentioned above, the Vendor has been fined in the amount of RMB10,998,669 as a result of the Property (Extension). However, having considered that (i) according to the PRC Legal Opinion, the fine had been fully settled as at the Latest Practicable Date and the Group or the Target Company did not have significant legal risks of the administrative punishment to be made by the relevant government departments and of payment of administrative penalty because of the Property (Extension) once again and also significant legal risks due to the dismantlement or prohibition, restriction of use because of the illegal construction of the Property (Extension) did not exist after Completion and the Target Company would have the right to continue to legally use and legally rent out the Property (Extension) to others; (ii) as advised by the Company's PRC legal advisers, the Property (Completed) and Property (Extension) are free to be owned, used and transferred by the Company through its ownership in the Target Company upon Completion; (iii) the Vendor has warranted and undertaken under the Acquisition Agreement that he shall assist to follow-up with all compliance action(s) to be taken with the relevant government authorities concerning the Property (Extension) including the application for the property ownership certificate of the Property (Extension); and (iv) the Vendor has warranted under the Acquisition Agreement that the Target Company shall be able to use the Property without any interruption and he has also undertaken to indemnify the Target Company for any fine, compensation or liability arising from any government penalties or claims from third party as a result of the conditions under which the Property has existed at time of

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Completion, including claims that the Target Company is not able to use the Property without interruption or current usage of the Property is subject to restriction, we concur with AVISTA that the value of the Property (Extension) is unlikely to affect the value of the Property (Completed) or the entire Property negatively.

During our discussion with AVISTA, we further understand that AVISTA has not compared any comparable sales involving transfer of an extended portion as a whole/as a part of a property. Notwithstanding that the Property (Extension) has not obtained any title certificate, AVISTA considers that the value of the Property (Extension) is unlikely to affect the value of the Property (Completed) or the entire Property negatively and therefore assigning no commercial value to the Property (Extension) is already a conservative and prudent approach in arriving at the valuation of the Property (Completed) or the entire Property.

Besides, we have discussed with AVISTA in relation to their experience and understood that Mr. Oswald W Y Au, a director of AVISTA, is a member of Hong Kong Institute of Surveyors (General Practice) and an Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties in the PRC, Hong Kong, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea. Given that Mr. Oswald W Y Au has practical experience in the valuation of properties in the PRC, we are of the view that he is qualified to provide a reliable valuation for the valuation of the Property. As further advised by AVISTA, it has no prior relationships with the Group, other parties to the Acquisition and their respective core connected persons. We are of the view that the independence and objectivity of AVISTA is fair and equitable in conducting such valuation. We have also reviewed the terms of engagement for the valuation of the Property and AVISTA has confirmed to us that the scope of work performed by AVISTA is consistent with the market practice and appropriate to give the opinion.

Given that that (i) the Group shall not expect that it has to incur any costs or expenses in relation to the conditions under which the Property has existed at time of Completion as any government penalties or claims from third party as a result of the such conditions will be indemnified by the Vendor for an indefinite period upon Completion; (ii) the Property (Extension) currently has no commercial value given it has not yet obtained any title certificate, based on the Valuation Report and thus its value has not been and cannot be taken into account when determine the Consideration; and (iii) the Vendor has undertaken that he shall assist to follow up with the application for the property ownership certificate of the Property (Extension), we are of the opinion that the Consideration is fair and reasonable in this regard; and (iv) the Consideration represents a slight discount of approximately 2.4% to the valuation of the Property (Completed) as at 31 January 2018, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

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III. Financial effects of the Acquisition

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. The financial results, assets and liabilities of the Target Company will be consolidated into the financial statements of the Group. The unaudited pro forma financial information of the Enlarged Group illustrating the financial impact of the Acquisitions on the assets and liabilities of the Group as if the Acquisition had taken place as at 31 December 2017 is set out in appendix IV to the Circular.

Net assets

As at 30 September 2017, the unaudited consolidated net assets of the Group were approximately HK\$1,895,162,000. Based on the unaudited pro forma financial information of the Enlarged Group as set out in appendix IV to the Circular, the unaudited pro forma consolidated net assets of the Enlarged Group would have been increased to approximately HK\$1,939,148,000.

Working capital

According to the 2017/18 Interim Report, the Group had working capital (i.e. current assets less current liabilities) and cash at banks and in hand of approximately HK\$884 million and HK\$96 million respectively as at 30 September 2017. As set out in the Letter from the Board, the Consideration of RMB652 million is expected to be funded by the internal resources of the Group and bank borrowings. It is expected that the Group's cash at banks and in hand would be reduced as a result of the Acquisition and therefore the Acquisition would affect the working capital position of the Group.

Gearing

As the Consideration is expected to be funded by the internal resources of the Group and bank borrowings, it is expected that the gearing ratio of the Group will increase upon Completion.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Enlarged Group will be upon Completion.

LETTER FROM TC CAPITAL

CONCLUSION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the opinion that (i) the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition, though not conducted in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Therefore, we advise (i) the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the SGM; and (ii) the Independent Shareholders to vote in favour of the relevant resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the SGM.

Yours faithfully,

For and on behalf of

TC Capital International Limited

Edward Wu Stanley Chung

Chairman Managing Director

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. Mr. Stanley Chung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2006. Both Mr. Wu and Mr. Chung have participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

1. FINANCIAL SUMMARY

The audited consolidated financial statements of the Group for each of the three financial years ended 31 March 2015, 2016 and 2017 together with the relevant notes thereto and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2017 together with the relevant notes thereto have been disclosed in the following documents which have been published on the websites of the Stock Exchange at “<http://www.hkexnews.hk>” and of the Company at “<http://www.hk970.com>” as follows, which are incorporated by reference into this circular:

- (a) **annual report of the Company for the year ended 31 March 2015 published on 28 July 2015 (pages 65-187)**

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0728/LTN20150728621.pdf>)

- (b) **annual report of the Company for the year ended 31 March 2016 published on 18 July 2016 (pages 70-179)**

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0718/LTN20160718547.pdf>)

- (c) **annual report of the Company for the year ended 31 March 2017 published on 18 July 2017 (pages 83-191)**

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0718/LTN20170718536.pdf>)

- (d) **interim report of the Company for the six months ended 30 September 2017 published on 11 December 2017 (pages 22-62)**

(<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/1211/LTN20171211619.pdf>)

2. STATEMENT OF INDEBTEDNESS

At the close of business on 28 February 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group had total borrowings of approximately HK\$357,544,000. Details of the total borrowings are summarized below:

The Group	HK\$000
Bank loans, secured and guaranteed	236,962
Bank loans, secured	73,941
Bank loans, guaranteed	8,000
Other loans, secured and guaranteed	<u>38,641</u>
 Total borrowings	 <u><u>357,544</u></u>

All the borrowings were scheduled to be repaid on demand or within one year.

Apart from as disclosed above, intra-group liabilities and normal trade payables in the normal course of business, the Group did not have as at the close of business on 28 February 2018 any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guaranteed, unguaranteed, secured and unsecured borrowing and debt, or other material contingent liabilities.

The Directors are not aware of any material changes in the indebtedness or contingent liabilities of the Group since 28 February 2018.

3. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group has been leasing a portion of the Property (Completed) from the Vendor as its showrooms and office, at an annual rental expense of approximately RMB30.48 million. Upon Completion, the Enlarged Group, will through its equity interest in the Target Group, own the Property (Completed) and the Enlarged Group will continue to focus on its core business of distributorships of luxury goods. The Group intends to continue its existing use of the Property (Completed) as showrooms and offices for its distributorship business of luxury branded goods in Beijing and to use the portion of the Property not being under lease from the Vendor as the office to accommodate its business expansion needs and/or for leasing.

As disclosed in the annual report of the Company for the year ended 31 March 2017, the revenue of the Group for the year ended 31 March 2017 was approximately HK\$2,781.2 million and the profit attributable to the Shareholders for the same period was approximately HK\$87.85 million. Given the portion of the Property (Completed) not under lease from the Vendor is approximately 1,200 square meters, should the Group choose to lease out the whole area to third party for a rental income, the Group does not consider such rental income will have material impact to the financial position of the Enlarged Group.

4. MATERIAL CHANGE

The Directors are not aware of any material change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, save for the followings:–

- (i) the completion of the placing of new Shares in November 2017 raising a net placing proceeds of approximately HK\$440.7 million;
- (ii) certain litigations against a subsidiary of the Group, details of the litigations are set out in the announcements of the Company dated 3 October 2017, 12 October 2017, 19 December 2017, 29 December 2017 and 3 April 2018. As disclosed in the interim report of the Company for the six months ended 30 September 2017, (a) the Group made a provision of approximately HK\$15 million for the possible liquidated damages for the litigations against the Group for the six months ended 30 September 2017; and (b) several orders were granted by the court in

September 2017 to freeze and preserve certain assets of the Group including inventories of approximately HK\$16,975,000 and bank balances of approximately HK\$4,127,000; and

- (iii) the change in accounting treatment of the Group's investment in Bang & Olufsen A/S from an investment in associate to an available-for-sale investment as a result of the loss of significant influence over Bang & Olufsen A/S as disclosed in the announcement of the Company dated 15 January 2018.

5. SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the effect of the acquisition and the financial resources available to the Group including internally generated funds and other financial resources, the Group will have sufficient working capital for its requirements, that is for at least 12 months from the date of publication of this circular.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The following is the text of a report set out on pages II-1 to II-16, received from the Company's reporting accountants, Crowe Horwath (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



國富浩華 (香港) 會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF BEIJING WENFU HENGYE TECHNOLOGY DEVELOPMENT CO., LTD. TO THE DIRECTORS OF SPARKLE ROLL GROUP LIMITED

INTRODUCTION

We report on the historical financial information of Beijing Wenfu Hengye Technology Development Co., Ltd. (北京文福恒業科技發展有限公司) (the “**Target Company**”) set out on pages II-4 to II-16, which comprises the statement of financial position of the Target Company as at 31 December 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 31 August 2017 (date of establishment) to 31 December 2017 (the “**Relevant Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-4 to II-16 forms an integral part of this report, which has been prepared for inclusion in the circular of Sparkle Roll Group Limited (the “**Company**”) dated 24 April 2018 (the “**Circular**”) in connection with the proposed acquisition of 100% equity interest in the Target Company by the Company (the “**Proposed Acquisition**”).

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Company for the Relevant Period (“**Underlying Financial Statements**”), on which the Historical Financial Information of the Target Company is based, were prepared by the directors of the Target Company based on the previously issued financial statements of the Target Company for the Relevant Period. The directors of the Target Company are responsible for the preparation of financial statements of the Target Company that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Target Company that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Target Company as at 31 December 2017 and of the Target Company's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Dividends

We refer to Note 12(b) to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Period.

Crowe Horwath (HK) CPA Limited

Certified Public Accountants

Hong Kong, 24 April 2018

Chan Wai Dune, Charles

Practising Certificate Number P00712

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by Crowe Horwath (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Period from 31 August 2017 (date of establishment) to 31 December 2017 RMB'000
	<i>Note</i>	<i>RMB'000</i>
Revenue	3	1
Operating expenses		<u>(210)</u>
Loss before taxation	4	(209)
Income tax	5	<u>—</u>
Loss and total comprehensive loss for the period		<u><u>(209)</u></u>

The accompanying notes form part of this Historical Financial Information.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENT OF FINANCIAL POSITION

		As at 31 December 2017
	<i>Note</i>	<i>RMB'000</i>
Non-current assets		
Plant and equipment	8	----- -
Current assets		
Cash and cash equivalents	9	839
Current liabilities		
Amount due to a shareholder	10	_____(150)
Net current assets		----- 689
Net assets		_____ <u>689</u>
Capital and reserves		
Paid-in capital	11(c)	898
Accumulated losses		_____(209)
		_____ <u>689</u>

The accompanying notes form part of this Historical Financial Information.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENT OF CHANGES IN EQUITY

	Paid-in capital	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Changes in equity for the period from 31 August 2017 (date of establishment) to 31 December 2017:			
Loss for the period	–	(209)	(209)
Other comprehensive income for the period	–	–	–
Total comprehensive loss for the period	–	(209)	(209)
Capital contribution	<u>898</u>	<u>–</u>	<u>–</u>
Balance at 31 December 2017	<u>898</u>	<u>(209)</u>	<u>689</u>

The accompanying notes form part of this Historical Financial Information.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENT OF CASH FLOWS

		Period from 31 August 2017 (date of establishment) to 31 December 2017
	<i>Note</i>	<i>RM'000</i>
Operating activities		
Loss before taxation		(209)
Adjustment for:		
Interest income	3	(1)
Depreciation of plant and equipment	4(b)	<u>63</u>
Cash used in operations		(147)
Income tax paid		<u>—</u>
Net cash used in operating activities		<u>-----</u> (147)
Investing activities		
Payment for purchase of plant and equipment		<u>(13)</u>
Net cash used in investing activities		<u>-----</u> (13)
Financing activities		
Capital contribution from the sole shareholder of the Target Company		898
Increase in amount due to a shareholder		100
Interest received		<u>1</u>
Net cash generated from financing activities		<u>-----</u> 999
Net increase in cash and cash equivalents		839
Cash and cash equivalents at beginning of period		<u>—</u>
Cash and cash equivalents at end of period	<i>10</i>	<u><u>839</u></u>

The accompanying notes form part of this Historical Financial Information.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Target Company was established under the laws of the People's Republic of China (the "PRC") on 31 August 2017 as a sole proprietorship and was subsequently converted to a company with limited liability on 17 November 2017. The equity interest of the Target Company was wholly owned by Mr. Qi Jian Hong.

The Target Company has not yet commenced its business.

The Historical Financial Information set out in this report have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Further details of the significant accounting policies adopted by the Target Company are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Company has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Period. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Period are set out in Note 15.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand ("RMB'000"), except as otherwise stated herein. The measurement basis used in the preparation of Historical Financial Information is historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Plant and equipment

The following items of Plant and equipment are stated at cost less accumulated depreciation and impairment losses:

- Furniture and equipment.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives of 3 to 5 years, except for plant and equipment with the cost under RMB5,000, which are fully depreciated.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of plant and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(d) Loans and receivables

Loans and receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts. Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Target Company about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for loans and receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Target Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(e) Other payables

Other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(g) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(h) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

(i) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

Interest income

Interest income is recognised as it accrues using the effective interest method.

(k) Related parties

- (a) A person, or a close member of that person's family, is related to the Target Company if that person:
 - (i) has control or joint control over the Target Company;
 - (ii) has significant influence over the Target Company; or
 - (iii) is a member of the key management personnel of the Target Company or the Target Company's parent.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

- (b) An entity is related to the Target Company if any of the following conditions applies:
- (i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the Target Company's parent.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(l) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Target Company's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to sell the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The amount of revenue during the Relevant Period is as follows:

	Period from 31 August 2017 (date of establishment) to 31 December 2017 RMB'000
Interest income from bank	<u><u>1</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(b) **Segment reporting**

The Target Company determines its operating segments based on the reports reviewed by the Target Company's most senior executive management that are used to make strategic decisions. During the Relevant Period, the Target Company has not yet commenced its business. Accordingly, no segment information is presented.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Period from 31 August 2017 (date of establishment) to 31 December 2017 RMB'000
(a) Staff costs	
Salaries, wages and other benefits	74
Contributions to defined contribution retirement plan	<u>14</u>
Total	<u><u>88</u></u>

During the Relevant Period, the Target Company employed 7 staff with effect from November 2017, and their monthly salary was RMB5,250.

(b) **Other items:**

Operating lease rentals in respect of rented premises	12
Depreciation of plant and equipment	<u>63</u>

5 INCOME TAX IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) **Income tax in the statement of profit or loss and other comprehensive income represents:**

No provision for taxation has been made in the Historical Financial Information as the Target Company did not generate any estimated assessable profits during the Relevant Period.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Period from 31 August 2017 (date of establishment) to 31 December 2017 RMB'000
Loss before taxation	(209)
Notional tax on profit before taxation	(52)
Effect of non-deductible expenses	52
Actual tax expense	—

According to the tax laws of the PRC, the income tax rate for the Relevant Period was 25%.

6 DIRECTORS' REMUNERATION

During the Relevant Period, the directors of the Target Company did not receive any fee or other emoluments in respect of their services provided to the Target Company. In addition, no emoluments paid or payable by the Target Company were waived and no emoluments were paid by the Target Company to the directors of the Target Company as an inducement to join or upon joining the Target Company or as compensation for loss of office during the Relevant Period.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Relevant Period, the Target Company has employed 7 staff and their emoluments are disclosed in Note 4(a) "Staff costs".

8 PLANT AND EQUIPMENT

	Furniture and equipment RMB'000
Cost:	
Additions for the Relevant Period and at 31 December 2017	63
Accumulated depreciation:	
Charge for the Relevant Period and at 31 December 2017	63
Carrying amount:	
At 31 December 2017	—

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	As at 31 December 2017 <i>RMB'000</i>
Cash on hand	7
Cash at bank	<u>832</u>
	<u><u>839</u></u>

10 AMOUNT DUE TO A SHAREHOLDER

The amount is unsecured, non-interest bearing and has no-fixed terms of repayment.

11 CAPITAL, RESERVE AND DIVIDENDS

(a) Movements in components of equity of the Target Company

The reconciliation between the opening and closing balances of each component of the Target Company's equity is set out in the statement of changes in equity.

(b) Dividends

No dividend was declared or paid by the Target Company during the Relevant Period to its sole equity shareholder.

(c) Paid-in capital

As at 31 December 2017, the registered capital of the Target Company was RMB596,314,300 and the paid-in capital of the Target Company was RMB897,502.50.

(d) Capital management

The sole shareholder of the Target Company actively and regularly reviews and manages its capital return and safety. As part of this review, the sole shareholder of the Target Company consider whether the Target Company will be able to repay its debts when they fall due and provide financial support to the Target Company when needed.

12 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit and liquidity risks arises in the normal course of the Target Company's business. The Target Company is not exposed to significant interest rate risk and currency risk as it has no interest-bearing financial instruments with variable interest rates except for cash at bank, and no transactions and balances are in foreign currency. The Target Company's exposure to credit and liquidity risks and the financial risk management policies and practices used by the Target Company to manage these risks are described below.

(a) Credit risk

The Target Company's credit risk is primarily attributable to cash at bank. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on cash at bank is limited because the counterpart is a bank with high credit ratings.

The Target Company does not have significant concentration of credit risk.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company does not provide any guarantees which would expose the Target Company to credit risk.

(b) Liquidity risk

The Target Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and funding from its sole shareholder in the short and longer term.

All financial liabilities are carried at amounts not materially different from their contractual undiscounted cash flows as they are with maturities within one year at the end of the reporting period.

(c) Fair values of financial instruments carried at fair value

The carrying amounts of the Target Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017.

13 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in the Historical Financial Information, no significant transactions were carried out with related parties.

14 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, the immediate and ultimate controlling party was Mr. Qi Jian Hong.

15 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this Historical Financial Information, the HKICPA has issued a number of amendments and new standards which are not yet effective for the Relevant Period and which have not been adopted in this Historical Financial Information. These include the following which may be relevant to the Target Company.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HK(IFRIC) 33	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

The Target Company has considered that the new standards will have no significant impact on the Historical Financial Information. The Target Company does not intend to early adopt any of these new standards.

16 OPERATING LEASE COMMITMENTS

At 31 December 2017, the total minimum lease payments under non-cancellable operating lease are payable as follows:

	RMB'000
Within one year	42

The Target Company is a lessee in respect of office premises under an operating lease. The lease runs for an initial period of one year, with an option to renew the lease when all terms are renegotiated.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

17 EVENT AFTER THE END OF THE RELEVANT PERIOD

(a) Increase of the registered capital

Subsequent to the end of the Relevant Period, the registered capital of the Target Company was increased by RMB30 million to RMB626,314,300.

(b) Cash contribution from the sole shareholder

After the end of the Relevant Period, the sole shareholder contributed an amount of RMB36 million in cash as part of the Target Company's registered capital.

(c) Acquisition of a property

After the end of the Relevant Period, the Target Company acquired a property in Beijing for a total consideration of RMB589,416,800 from Mr. Qi Jian Hong as capital contribution of this property to the Target Company by Mr. Qi Jian Hong. Upon the completion of the acquisition of this property, the Target Company will recognise this property as the property, plant and equipment in the statement of financial position at the cost of RMB589,416,800, and capital contribution of the same amount was credited to the capital of the Target Company.

18 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 December 2017.

APPENDIX III MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Set out below is the management discussion and analysis of the Target Company, which is based on the financial information of the Target Company as set out in Appendix II of this circular.

Financial results

The Target Company was established on 31 August 2017. It has not carried on any business activities since its date of establishment.

The Target Company recorded a revenue of approximately RMB1,000 during the period from 31 August 2017 (being the date of establishment) to 31 December 2017 (the “**Relevant Period**”), which was mainly the interest income from the paid-in registered capital in cash being deposited in an interest-bearing account of a bank in PRC during the Relevant Period.

The Target Company recorded a loss after taxation of approximately RMB0.21 million during the Relevant Period, which was mainly due to the payment of staff salaries and their related benefits of approximately RMB0.88 million and the depreciation expenses incurred for computers owned by the Target Company of approximately RMB0.63 million.

Liquidity, financial resources and capital structure

The majority of the financial resources of the Target Company for the Relevant Period were financed by equity capital injection.

Cash and cash equivalents

As at 31 December 2017, the Target Company had cash and cash equivalents of approximately RMB0.84 million.

Loans

As at 31 December 2017, the Target Company did not have any loans and/or borrowings.

Financial position

As at 31 December 2017, the audited net asset value of the Target Company were approximately RMB0.69 million.

Given the Property has not been injected to the Target Company as mentioned in the sub-section headed “Information of the Target Company and the Property – The Property” in the Letter from the Board, the Property has not been recorded on the book of the Target Company as at 31 December 2017.

The unaudited proforma statement of assets and liabilities of the Enlarged Group, assuming the Completion had taken place on 31 December 2017, has been disclosed in Appendix IV of this circular.

APPENDIX III MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Capital commitments

As at 31 December 2017, the Target Company did not commit to any material capital expenditure.

Gearing ratio

As at 31 December 2017, the debt-to-equity ratio (which is defined as total interest-bearing borrowings over the total equity) of the Target Company was 0%.

Foreign exchange rate risks

For the Relevant Period, the Target Company had minimal exposure to foreign exchange rate risk as RMB is the only currency used by the Target Company.

Contingent liabilities

Based on the financial information of the Target Company as disclosed in Appendix II of this circular, it does not indicate that the Target Company had any contingent liabilities as at 31 December 2017.

Significant investments

There were no material financial investments held by the Target Company for the Relevant Period.

Acquisitions or disposals of subsidiaries or associated companies

The Target Company did not hold interest in any companies since 31 August 2017 (being its date of establishment). The Target Company had not acquire and/or dispose of any subsidiaries or associated companies for the Relevant Period.

Employee

The Target Company had an average number of employees of 7 for the Relevant Period. The total staff costs of the Target Company for the Relevant Period was approximately RMB0.88 million.

Charges on assets

As at 31 December 2017, the Target Company did not have any charges on its assets.

Future plans and Subsequent Events

Subsequent to the end of the Relevant Period, the registered capital of the Target Company was increased by RMB30 million from RMB596,314,300 to RMB626,314,300, and the Vendor contributed an amount of RMB36 million in cash as part of the Target Company's registered capital.

On 6 March 2018, the Target Company entered into the Acquisition Agreement with the Vendor, the Purchaser and the Company in relation to the Acquisition. Pursuant to the Acquisition Agreement, the Vendor will inject the Property to the Target Company as part of the registered capital of the Target Company, which is also one of the conditions precedent to the Completion. As at the Latest Practicable Date, the Property has been injected to the Target Company in the form of contribution in kind by way of transfer of ownership of the Property as part of the registered capital of the Target Company, and the registered capital of the Target Company has been fully paid up. The Target Company shall recognise the Property as property, plant and equipment in the statement of financial position of the Target Company upon the Property having been injected to the Target Company.

The Group was leasing a portion of the Property (Completed) from the Vendor as at the Latest Practicable Date. Upon Completion, the Group will own the entire equity interest which in turn the Property. The Group intends to use the portion of the Property not being under lease from the Vendor, which is currently being used by the Vendor as office, as the office to accommodate its business expansion needs and/or for leasing and the Group does not intend to lease back the portion of the Property currently not being under lease to the Vendor.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION**(1) Introduction to the unaudited pro forma financial information**

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared on the basis of notes set out below for the purposes of illustrating the effects on the assets and liabilities of the Group as if the Acquisition had been completed on 31 December 2017.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company (the “**Directors**”) in accordance with paragraph 4.29 of the Listing Rules, for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information of the Enlarged Group may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 December 2017 or any future date.

The Unaudited Pro Forma Financial Information of the Enlarged Group as at 31 December 2017 has been prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 September 2017 as set out in its published interim report for the six months ended 30 September 2017; (ii) the pro forma adjustments prepared to reflect the effects of the Acquisition as explained in the notes set out below that are directly attributable to the Acquisition and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in its interim report of the Group for the six months ended 30 September 2016, and other financial information contained in this circular.

(2) Unaudited pro forma consolidated statement of assets and liabilities

	Pro forma adjustments					The Enlarged Group HK\$'000
	The Group as at 30 September 2017 HK\$'000	The Target Company as at 31 December 2017 RMB'000 (note 3a)	The Target Company as at 31 December 2017 HK\$'000 equivalents (note 3b)	Other pro forma adjustments HK\$'000 (note 3c) (note 3d)		
Non-current assets						
Property, plant and equipment	91,446	–	–	706,652	75,031	873,129
Goodwill	206,171	–	–	–	–	206,171
Other intangible asset	433	–	–	–	–	433
Investment in associate	698,467	–	–	–	–	698,467
Rental deposits paid to a related party	15,812	–	–	–	–	15,812
Total non-current assets	1,012,329	–	–	706,652	75,031	1,794,012
Current assets						
Inventories	977,686	–	–	–	–	977,686
Trade receivables	3,341	–	–	–	–	3,341
Deposits, prepayments and other receivables	172,468	–	–	–	–	172,468
Amounts due from related parties	15,812	–	–	–	–	15,812
Loans receivables	181,960	–	–	–	–	181,960
Pledged deposits	83,482	–	–	–	–	83,482
Restricted bank balances	5,304	–	–	–	–	5,304
Cash at banks and in hand	95,507	839	1,006	43,160	(131,879)	7,794
Total current assets	1,535,560	839	1,006	43,160	(131,879)	1,447,847

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP

	Pro forma adjustments					The Enlarged Group HK\$'000
	The Group as at 30 September 2017 HK\$'000	The Target Company as at 31 December 2017 RMB'000 (note 3a)	The Target Company as at 31 December 2017 HK\$'000 equivalents (note 3b)	Other pro forma adjustments HK\$'000 (note 3c) (note 3d)		
Current liabilities						
Trade payables	16,525	–	–	–	–	16,525
Receipts in advance, accrued charges and other payable	253,734	–	–	–	–	253,734
Amounts due to related parties	9,691	150	180	–	–	9,871
Payable for the acquisition of Beijing Property	–	–	–	–	649,804	649,804
Amounts due to non-controlling interests	2,103	–	–	–	–	2,103
Pension for taxation	3,995	–	–	–	–	3,995
Borrowings	365,953	–	–	–	–	365,953
Total current liabilities	<u>652,001</u>	<u>150</u>	<u>180</u>	<u>–</u>	<u>649,804</u>	<u>1,301,985</u>
Net current assets	<u>883,559</u>	<u>689</u>	<u>826</u>	<u>43,160</u>	<u>(781,683)</u>	<u>145,862</u>
Total assets less current liabilities	<u>1,895,888</u>	<u>689</u>	<u>826</u>	<u>749,812</u>	<u>(706,652)</u>	<u>1,939,874</u>
Non-current liabilities						
Other payables	33	–	–	–	–	33
Deferred tax liabilities	693	–	–	–	–	693
Total non-current liabilities	<u>726</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>726</u>
Net assets	<u>1,895,162</u>	<u>689</u>	<u>826</u>	<u>749,812</u>	<u>(706,652)</u>	<u>1,939,148</u>

(3) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

- a. The adjustment represents the Acquisition as if it had been completed on 31 December 2017 for the Unaudited Pro Forma Financial Information. The adjustment amounts are derived from the statement of financial position of the Target Company as set out in Appendix II to this circular for the Unaudited Pro Forma Financial Information.
- b. For the purpose of the Unaudited Pro Forma Financial Information, all RMB are translated into HK\$ at the exchange rate of RMB1 to HK\$1.1989 prevailing at the close of business on 30 December 2017. No representation is made that RMB amounts have been, could have been or could be converted to HK\$, or vice versa, at the applied rate or at any other rates or at all.

- c. The adjustment represents the acquisition of the property in Beijing (“**Beijing Property**”) by the Target Company at a total consideration of RMB589,416,800 (equivalent to approximately HK\$706,652,000) subsequent to 31 December 2017. The acquisition of the Beijing Property was treated as equity injection of RMB589,416,800 by the sole shareholder of the Target Company to the registered capital of the Target Company. In addition, the sole shareholder also contributed RMB36,000,000 (equivalent to approximately HK\$43,160,000) (“**Cash Capital Contribution**”) as equity injection to the registered capital of the Target Company. For the purpose of this Pro Forma Financial Information, adjustment has been made to reflect the effect of the acquisition of the Beijing Property and the Cash Capital Contribution as if the capital injection had been completed on 31 December 2017.
- d. The adjustment represents the total consideration for the Acquisition of RMB652,000,000 (equivalent to approximately HK\$781,683,000) to be satisfied in cash by two installments (i.e. the first installment of RMB110 million (equivalent to approximately HK\$131,879,000) paid within 15 Business Days after the signing of the Acquisition Agreement and the second installment of RMB542 million (equivalent to approximately HK\$649,804,000) paid within 30 Business Days after the Completion Date as if the Acquisition had been completed on 31 December 2017 pursuant to the Acquisition Agreement for the Unaudited Pro Forma Financial Information.

The Target Company is a property holding company established for the holding of the Beijing Property. Given that the Beijing Property was in initial planning stage at the date of the Acquisition Agreement, the Target Company is not expected to be capable of being conducted and managed to provide a return to its owner by way of dividends, lower costs or other economic benefits prior to the completion of the Acquisition. Therefore, the assets acquired and liabilities assumed in the Target Company did not constitute a business as defined in HKFRS 3 “*Business Combinations*” and, as a result, the Acquisition has been accounted for as assets acquisition. The cost of acquisition is allocated between the individual identifiable assets and liabilities in the Target Company based on their relative fair values at the acquisition date and for the purpose of the Unaudited Pro Forma Financial Information, the fair values as at 31 January 2018 are used for allocation. The fair values of the identifiable assets and liabilities of the Target Company are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Target Company on the date of completion of the Acquisition. Consequently, the actual allocation of the cost of acquisition at the date of completion will likely result in different amounts than those stated in this Unaudited Pro Forma Financial Information.

- e. No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition related costs (including fees to legal advisers, reporting accountants, printers, taxes and levies and other expenses) as the Directors determined that such costs are insignificant.
- f. Apart from the adjustments as stated above, no adjustment has been made to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2017.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON
THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants, Crowe Horwath (HK) CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information prepared for the purpose of incorporation in this circular.



國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE DIRECTORS OF SPARKLE ROLL GROUP LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sparkle Roll Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2017 and related notes as set out in Part A of Appendix IV to the circular dated 24 April 2018 (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the entire issued capital in Beijing Wenfu Hengye Technology Development Co., Ltd. (the “**Proposed Acquisition**”) on the Group's financial position as at 30 September 2017 as if the Proposed Acquisition had taken place on 31 December 2017. As part of this process, information about the Group's financial position as on 30 September 2017 has been extracted by the Directors from the interim report of the Company for the six months ended 30 September 2017, on which no audit or review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the

compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Crowe Horwath (HK) CPA Limited

Certified Public Accountants

Hong Kong, 24 April 2018

Chan Wai Dune, Charles

Practising Certificate Number P00712

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 January 2018 of the property interests of the Target Company.



AVISTA Valuation Advisory
艾華迪評估諮詢

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www.avaval.com

24 April 2018

Sparkle Roll Group Limited

Room 2028-36, 20th Floor,
Sun Hung Kai Centre, 30 Harbour Road,
Wanchai, Hong Kong

Dear Sirs/Madams,

In accordance with the instructions of Sparkle Roll Group Limited (the “**Company**”) for us to carry out the valuation of the property interests of 40-1, Basement Level 1 and Levels 1 to 4 of Tower A, No.40 Xinfu 2nd Village, Chaoyang District, Beijing, the PRC (the “**Property (Completed)**”) and the extended portion of the Property (Completed) with gross floor area of 2,064.69 square meters (the “**Property (Extension)**”) and together the “**Property**”) held by Mr Qi Jian Hong (綦建虹, the “**Vendor**”), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 January 2018 (the “**Valuation Date**”).

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”.

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors, the International Valuation Standards published from time to time by the International Valuation Standards Council.

In the course of our valuation, unless otherwise stated, we have valued the Property in their designated uses with the understanding that the Property will be used as such.

In valuing the property interest, we have adopted market approach in our valuation by making reference to comparable sale asking in our assessment of the market value of a property interest. We have selected the comparables by considering the same usage, locality and characteristics to the subject property which is up to the Valuation Date market information. This approach rests on the wide acceptance of the sale asking as the best indicator and pre-supposes that evidence of relevant sale asking in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

We have been shown copies of various title documents, sales and purchase agreements and other document relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests. We have relied considerably on the advice given by the Company's PRC legal advisers – Beijing Yuansiqiao Law Firm, concerning the validity of the property interests in the PRC.

We have relied to a very considerable extent on the information given to us by the Company in the course of valuation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld. We have accepted advice given to us on such matters as title, planning approvals, statutory notices, easements, tenure, particulars of occupancy, identification of Property, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been made to verify their correctness. We have been advised by the Company that no material factors have been omitted from the information supplied to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not been commissioned carry out detailed site measurements to verify the correctness of the land or building areas in respect of the Property but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties in the PRC, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. We have also assumed that there was not any material change of the Property in between date of our inspection and the valuation date.

We have inspected the exterior and, where possible, the interior of the appraised Property. However, we must point out that we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible, we are therefore unable to report and any such part of the Property are free from rot, infestation or any other defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the Property or on adjoining or neighbouring land or that the Property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

No allowance has been made in our report neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have further assumed that the Property was not transferred or involved in any contentious or non-contentious dispute as at the Valuation Date. We have also assumed that there was not any material change of the Property in between date of our inspection and the Valuation Date.

The site inspection was carried in January 2018 by our Ken Feng, Manager of AVISTA Valuation Advisory Limited with more than 5 years property valuation experience in the PRC and Alex Xu, Assistant Valuer of AVISTA Valuation Advisory Limited with 1 year property valuation experience in the PRC.

In accordance with our standard practice, this valuation certificate is for the exclusive use of the party to whom it is addressed and no responsibility is accepted to the third party for the whole or any part of its contents.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties in the PRC, Hong Kong, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

VALUATION CERTIFICATE

Property interests held by the Target Company in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2018 RMB
40-1, Basement Level 1 and Levels 1 to 4 of Tower A, No.40 Xinfu 2nd Village, Chaoyang District, Beijing, the PRC (中國北京市朝陽區幸福二村40號樓A座-1至4層40-1)	<p>The Property comprises a 4-storey complex building with a level of basement which was completed in about 2005 and an extended portion which was completed in about 2008.</p> <p>The Property (Completed) has a gross floor area of approximately 6,248.64 sq.m. (<i>See Note 1</i>) and the Property (Extension) has a gross floor of 2,064.69 sq.m. (<i>See Note 3</i>)</p> <p>The Property is held under a Building Ownership Certificate for a term expiring on 9 January 2053 for composite use.</p>	<p>Portion of the Property was leased to the Company for office, showroom and retail purposes for a term commencing from 1 July 2011 till 30 June 2021 with a total monthly rental of approximately RMB2,630,000 (exclusive of management fee and the utilities expense) and the remaining portion of the Property was occupied by the Vendor for office purpose as at the Valuation Date. (<i>See Note 7</i>)</p>	667,940,000

Notes:

- Pursuant to a Building Ownership Certificate as at the Valuation Date, X Jing Fang Quan Zheng Chao Zi Di No.820716, issued by Beijing Chaoyang District Housing Administration Bureau dated 23 March 2010, the Property (Completed) with a gross floor area of approximately 6,248.64 sq.m. has been granted to Qi Jian Hong (綦建虹), the Vendor, for a term expiring on 9 January 2053 for composite use.
- As at the date of the legal opinion, the title is transferring from the Vendor to the Beijing Wenfu Hengye Technology Development Co., Ltd (the “**Target Company**”). (*See Note 5b*)
- Pursuant to a Real Estate Ownership Certificate, Jing (2018) Zhao Bu Dong Chan Quan Di No. 0034426, issued by Beijing Municipal Planning and Land and Resources Management Commission dated 29 March 2018, the Property (Completed) with a gross floor area of approximately 6,248.64 sq.m. has been granted to Beijing Wenfu Hengye Technology Development Co., Ltd. (北京文福恒業科技發展有限公司), for a term expiring on 9 January 2053 for composite use.
- We have assigned no commercial value to the Property (Extension) with a gross floor area of approximately 2,064.69 which have not obtained any title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the Property (Extension) as at the Valuation Date would be RMB30,970,000 assuming all relevant title certificates have been obtained and the extended portion could be freely transferred.

5. We have been provided with a legal opinion dated as 6 March 2018 regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. after the completion of the sale and purchase agreement dated 6 March 2018 entered into among the Vendor, Boao Economic and Trade Development Co., Ltd, the Purchaser, is the legally interested party in the Property and has the right to occupy, to use, to lease, to transfer and to mortgage the Property;
 - b. as at the date of the legal opinion, the title of the Property (Completed) is transferring from the Vendor to the Target Company and there is no legal impediment, difficulty, delay and/or approval not being granted to transfer the title to the Target Company;
 - c. pursuant to the administrative penalty decision and letters 京規行決字2015第0004號 issued by the Beijing Municipal Commission of Urban Planning (北京市規劃委員會), the Vendor has been fined in the amount of RMB10,998,669 as a result of the Property (Extension);
 - d. the Vendor has the right to use and to lease the Property (Extension); and
 - e. there is no legal impediment to transfer the right to use and to lease the Property (Extension) from the Vendor to the Target Company.
6. In our valuation, we have made reference to the asking of the retail comparables which have characteristics comparable to the Property (Completed). We have adopted the unit rates of about RMB 107,000/sq.m. on Gross Floor Area basis. The list of comparables considered by us in performing the valuation of the Property is listed below:

Commercial	Date	Area (sq.m.)	Asking Price (RMB)	Unit Rate (RMB/sq.m.)
Sanlitun SOHO	9 February 2018	135	17,000,000	125,926
Sanlitun SOHO	9 February 2018	120	15,000,000	125,000
Sanlitun SOHO	9 February 2018	160	14,000,000	87,500
Shimao Plaza Gongsan	9 February 2018	311	28,000,000	90,032

We have adopted the comparables by considering the usage and the same locality.

7. Portion of the Property was leased to the Company for office, showroom and retail purposes for a term commencing from 1 July 2011 till 30 June 2021 with a total monthly rental of approximately RMB2,630,000 (exclusive of management fee and the utilities expense) and the remaining portion of the Property was occupied by the Vendor for office purpose as at the Valuation Date.

Address	Existing Usage	Term	Leasable Area (sq.m.)	Monthly Rental (RMB)
Portion of 1st Floor	Showroom	1 July 2011 to 30 June 2021	1,135	920,000
Portion of 1st Floor and 2nd Floor	Retail	1 July 2011 to 30 June 2021	2,148	1,130,000
Portion of 3rd Floor	Office	1 July 2011 to 30 June 2021	970	380,000
Portion of basement	Retail	1 July 2011 to 30 June 2021	750	200,000

LEGAL OPINION

on the Transfer of 100% Equity Interest of
Beijing Wenfu Hengye Technology Development Co., Ltd.
(北京文福恒業科技發展有限公司)
held by Mr Qi Jian Hong

Beijing Ruan Si Qiao Legal Firm (北京阮思喬律師事務所)
6 March 2018

Beijing Ruan Si Qiao Legal Firm (北京阮思喬律師事務所)

Legal Opinion

on the Transfer of 100% Equity Interest of
Beijing Wenfu Hengye Technology Development Co., Ltd.
(北京文福恒業科技發展有限公司)
held by Mr Qi Jian Hong

Pursuant to the relevant provisions of the “Company Law of the People’s Republic of China”, “Contract Law of the People’s Republic of China” and other laws and regulations and normative documents, Beijing Ruan Si Qiao Legal Firm (北京阮思喬律師事務所) (the “**Firm**”) has accepted the appointment of Boao Economic and Trade Development Co., Ltd. (鉅傲經貿發展有限公司) (“**Boao Economic & Trade Company**”) to issue a legal opinion on the act (“**This Equity Interest Transfer**”) of proposed transfer of 100% equity interest (“**Target Equity Interest**”) of Beijing Wenfu Hengye Technology Development Co., Ltd. (北京文福恒業科技發展有限公司) (“**Wenfu Hengye Company**”) held by the transferor Mr Qi Jian Hong (“**Mr Qi Jian Hong**”) to the transferee Boao Economic & Trade Company.

The legal opinion issued by the lawyers of the Firm was based on the documents and information submitted by Mr Qi Jian Hong and Wenfu Hengye Company as below:

1. The Business Licence and Article of Association of Wenfu Hengye Company (both are photocopies);
2. The submission file of the industrial and commercial document of Wenfu Hengye Company (printed document);
3. The Business Licence of Boao Economic & Trade Company (photocopy);
4. The identity card of Mr Qi Jian Hong (photocopy);
5. All the title documents of property under the name of Mr Qi Jian Hong (Certificate number: x Jing Fang Quan Zheng Chao Zi No. 820716, located at 40-1, Basement Level 1 and Levels 1 to 4 of Tower A, No. 40 Xinfu 2nd Village, Chaoyang District, Beijing, with gross floor area of 6,248.64 square metres (photocopies);
6. The “Explanation letter on the consent to the formalities for transfer of title of real estate property under contribution in kind in the form of real estate property in relation to the building at No. 40 Xinfu 2nd Village, Chaoyang District, Beijing” issued by Beijing Branch of China Minsheng Bank Co., Ltd. to Beijing Municipal Commission of Construction, Beijing Local Taxation Bureau, Beijing Chaoyang District Local Taxation Bureau in December 2017 (photocopy);
7. The Comprehensive Credit Contract “Number: Gong Shou Xin Zi No. 1600000174946” signed between Beijing Sparkle Roll Investment Co., Ltd. (北京耀萊投資有限公司) and Beijing Branch of China Minsheng Bank Co., Ltd. on 14 December 2016 (15 December 2016);

8. Account Receivable Maximum Pledge Contract “Number: Gong Gao Zhi Zi No. 1600000174946” signed between Beijing Sparkle Roll Investment Co., Ltd. (北京耀萊投資有限公司) and Beijing Branch of China Minsheng Bank Co., Ltd. on 14 December 2016 (20 December 2016);
9. Maximum Guarantee Contract “Number: Ge Gao Bao Zi No. 1600000174946” signed between Mr Qi Jian Hong and Beijing Branch of China Minsheng Bank Co., Ltd. on 15 December 2016;
10. Working Capital Lending and Borrowing Contract “Number: Gong Jie Dai Zi No. 1600000179106” signed between Beijing Sparkle Roll Investment Co., Ltd. (北京耀萊投資有限公司) and Beijing Branch of China Minsheng Bank Co., Ltd. on 21 December 2016;
11. Administrative Punishment Decision of Beijing Municipal Commission of Urban Planning (Document Number: Jing Gui Xing Jue Zi 2015 No. 0004, located at the mixed usage building, No. 40 Xinfu 2nd Village, Chaoyang District, Beijing, transformed and extended surface area: 4,782.03 sq. m.) (photocopy);
12. Administrative Remittance Slip (one remittance slip in the amount of RMB5.998669 million, another remittance slip in the amount of RMB5 million, 2 slips in total) of Administrative Punishment Decision of Beijing Municipal Commission of Urban Planning (Document Number: Jing Gui Xing Jue Zi 2015 No. 0004) regarding item 11 above (photocopies);
13. Letter of Beijing Municipal Commission of Urban Planning on the handling of the relevant formalities (Document Number: Gui Bu Zi <2016> No. 06) (photocopy);
14. Premises Surface Area Surveying Technical Report of Beijing Jinfang Xingye Survey Co., Ltd. dated 17 December 2014 (printed document);
15. Breakdowns of Surface Area by Storey of 40-1, No. 40 Xinfu 2nd Village prepared by Wenfu Hengye Company based on the data of the working draft of Beijing Jinghai Zhongheng Survey Co., Ltd. (printed document);
16. List of Status of Real Estate Properties of Tower A, Sparkle Roll Centre (耀萊中心) (printed document) provided by Wenfu Hengye Company (printed document);
17. List of Listed Company Leases and the relevant leases provided by Wenfu Hengye Company (photocopies);
18. Memorandum of understanding on sale and purchase of equity interest of company and property (20180130 Memorandum of understanding) signed by Mr Qi Jian Hong, Sparkle Roll Group Limited (耀萊集團有限公司) and Wenfu Hengye Company on 30 January 2018 (photocopy);

19. The draft of the Sale and Purchase Agreement on 100% Equity Interest of Beijing Wenfu Hengye Technology Development Co., Ltd. between Mr Qi Jian Hong and Boao Economic and Trade Development Co., Ltd. for which preliminary agreement was reached by all parties but not yet signed finally and its four appendices (“**Draft Sale & Purchase Agreement**”) (printed document). The lawyers of the Firm expressed their legal opinion mainly based on the laws and regulations below (including but not limited to):
 1. The General Principles of the Civil Law of the People’s Republic of China (“**General Principles of the Civil Law**”);
 2. The Company Law of the People’s Republic of China” (“**Company Law**”);
 3. The Contract Law of the People’s Republic of China” (“**Contract Law**”);
 4. The Guarantee Law of the People’s Republic of China” (“**Guarantee Law**”).

Before issuing the legal opinion, the lawyers of the Firm represent and draw the attention to the matters below:

1. The firm has obtained the following undertakings and guarantees in writing of Mr Qi Jian Hong and Wenfu Hengye Company, and the conclusion of this legal opinion relies on the authenticity of those undertakings and guarantees:
 - (1) In respect of the issuing of this legal opinion, Mr Qi Jian Hong and Wenfu Hengye Company have obtained appropriate authorization, their undertaking and guarantee will not be void or cannot be performed due to the restrictions of internal approval;
 - (2) The documents, information provided by Mr Qi Jian Hong and Wenfu Hengye Company are true, accurate, complete, without withholding information or being false;
 - (3) The copies or photocopies of the documents and information given by Mr Qi Jian Hong and Wenfu Hengye Company are identical with their originals, the signatures and seals of the documents concerned are real and valid;
 - (4) The premises located at 40-1, Basement Level 1 and Levels 1 to 4 of Tower A, No. 40 Xinfu 2nd Village, Chaoyang District, Beijing, with gross floor area of 6,248.64 square metres (real estate title document number: x Jing Fang Quan Zheng Chao Zi No. 820716) upon which the Maximum Guarantee Contract “Number: Ge Gao Bao Zi No. 1600000174946” had been signed between Mr Qi Jian Hong and Beijing Branch of China Minsheng Bank Co., Ltd. on 15 December 2016 was pledged to Beijing Branch of China Minsheng Bank Co., Ltd.;

2. The lawyers of the Firm relied on the facts already occurred or existed prior to the issue date of this legal opinion and based on the understanding of the related facts and the understanding of the prevailing laws and regulations and normative documents of China; notwithstanding the best efforts of the lawyers of the Firm to master the facts and documents and carry out professional analysis and draw a conclusion, in view of the existence of inevitable discrepancies in recognition of specific facts and understanding of the laws of each practitioner, and the inevitable discrepancies between legal theories and practice, consequently, there may be discrepancies between the results of judicial practice and the judgment in this legal opinion.
3. The facts recognized by this legal opinion and the conclusion arrived at are only the objective statement and independent legal judgment of the lawyers of the Firm, they do not constitute the final confirmation, guarantee or undertaking of the relevant facts of law, legal relationship, legal force or other legal attributes. Regarding those facts which are critical to the issuance of this legal opinion and for which no direct supporting evidence can be obtained, the lawyers of the Firm relied on the associated evidences which could prove such facts to issue their legal opinion. With regard to facts without supporting complete written documentations, the lawyers of the Firm rely on indirect documents and information, professional experience and common sense to make certain assumptions, and conduct legal analysis and arrive at a conclusion based on those assumptions, and there maybe discrepancies or inconsistency between those assumptions and facts.
4. The lawyers of the Firm made online inquiries of the relevant companies, the basic situations of the companies on the national enterprise credit information publicity system of the state website (“**National Enterprise Credit Information Publicity System**”) of the State Administration for Industry and Commerce of the People’s Republic of China. According to the notes for making inquiries of the National Enterprise Credit Information Publicity System, ① that system provides information inquiry services of all types of subjects in the market registered with the Administration for Industry and Commerce, including enterprises, rural cooperatives, individuals engaging in the commercial and industrial sectors etc; ② the information published by the Administration for Industry and Commerce in that system comes from all recording authorities, the information published by the enterprises is filled in by the enterprises themselves which are responsible for their authenticity and legality. In respect of the enquiry results of the relevant companies, enterprises in the National Enterprise Credit Information Publicity System made by the Firm, the Firm does not rule out the case that the situations reflected by the enquiry results do not match the actual situations.
5. During the working process of the lawyers of the Firm, the information upon which the expression of the matters involved in this legal opinion is based is only restricted to the sources of information and scope of verification by the lawyers as already clearly set out in this legal opinion; this legal opinion only expresses views on the matters already clearly set out in this legal opinion, such views and

conclusion do not represent the recognition, confirmation, deduction or tacit consent of the lawyers of the Firm in any form of the matters not clearly set out in this legal opinion.

Based on the above, the lawyers of the Firm carried out verification and checking of the relevant documents provided by Mr Qi Jian Hong and Wenfu Hengye Company in accordance with the relevant laws and regulations and generally accepted business standards of the legal sector, and issued the following legal opinion:

I. The qualifications of the parties as subjects involved in This Equity Interest Transfer

1. *Qualifications of Mr Qi Jian Hong (Transferor) as subject*

As indicated in the identity card of Mr Qi Jian Hong, Mr Qi Jian Hong was born on XX June 1967, the identity card number is XXXXXXXXXXXXXXXXXXXX. The lawyers of the Firm believe that as the Transferor of this transfer of equity interest, Mr Qi Jian Hong has the relevant civil act capacity, and has the qualifications as subject of This Equity Interest Transfer.

2. *Qualifications of Boao Economic and Trade Development Co., Ltd. (Transferee) as subject*

As indicated in the business licence of Boao Economic & Trade Company, the company was set up on 30 June 2016, the unified social credit identifier is 91654004MA776F325R, the term of the operation is long term. Also, the National Enterprise Credit Information Publicity System does not indicate that there exist other circumstances requiring it to be terminated. The lawyers of the Firm have examined and considered that Boao Economic & Trade Company is a legal person legally set up and validly subsisting, it has the qualifications as subject of the Target Equity Interest to be transferred.

3. *Qualifications of Beijing Wenfu Hengye Technology Development Co., Ltd. (Target Company to be Transferred) as subject*

As indicated in the business licence of Wenfu Hengye Company, the company was set up on 31 August 2017, the unified social credit identifier is 91110106MA0179N07R, the term of the operation is long term. Also, the National Enterprise Credit Information Publicity System does not indicate that there exist other circumstances requiring Wenfu Hengye Company to be terminated, nor is it involved in law suits or administrative penalty. The lawyers of the Firm have examined and considered that Wenfu Hengye Company is a legal person legally set up and validly subsisting.

II. Inspection of ownership and defect of rights of This Equity Interest Transfer

Pursuant to the relevant provisions of the laws and regulations such as the Company Law, Contract Law, Guarantee Law, etc. regarding equity interest transfer, the lawyers of the Firm made the inspection below:

1. Acquisition of the equity interest

According to the articles of association of Wenfu Hengye Company and the respective enquiries of industry and commerce information and other documents and information, the inspection results of the registration and main changes of Wenfu Hengye Company are as below:

- (1) Wenfu Hengye Company was set up on 31 August 2017, the company name at the time of establishment was Beijing Wenfu Hengye Technology Development Centre (北京文福恒業科技發展中心), the registered capital was RMB1 million, the capital contribution was by way of cash, the company type was individual proprietorship enterprise, Mr Qi Jian Hong held 100% equity interest of the company.
- (2) On 17 November 2017 Wenfu Hengye Company made a change in industry and commerce registration, the company name was changed from Beijing Wenfu Hengye Technology Development Centre to Beijing Wenfu Hengye Technology Development Co., Ltd. (北京文福恒業科技發展有限公司) (current name), the company type was changed from individual proprietorship enterprise to company with limited liability (wholly-owned by natural person), the registered capital was changed from RMB1 million to RMB596,314,300 (the specific capital contribution method was increase in capital contribution by way of cash from RMB1 million to RMB6 million, capital contribution in the form of new net assets of RMB897,500, capital contribution in the form of new real estate properties of RMB452,264,100, capital contribution in the form of new real estate properties of RMB137,152,700), Mr Qi Jian Hong held 100% equity interest of the company.
- (3) On 6 February 2018, Wenfu Hengye Company made a change in industry and commerce registration, the registered capital was changed from RMB596,314,300 to RMB626,314,300 (the specific capital contribution method was capital contribution by way of cash from RMB6,000,000 to RMB36,000,000, no change for the capital contribution of net assets of RMB897,500, no change for the capital contribution of real estate properties of RMB452,264,100, no change for the capital contribution of real estate properties of RMB137,152,700), Mr Qi Jian Hong held 100% equity interest of the company.
- (4) As at the date of issuance of this legal opinion, the registered capital of Wenfu Hengye Company subscribed by Mr Qi Jian Hong was RMB626,314,300 (the specific capital contribution method was capital

contribution by way of cash of RMB36,000,000 fully paid, capital contribution in the form of net assets of RMB897,500 the payment of which was completed, capital contribution of real estate properties of RMB452,264,100 was subscribed for but the payment of which was not completed, capital contribution of real estate properties of RMB137,152,700 was subscribed for but the payment of which was not completed), Mr Qi Jian Hong held 100% equity interest of the company.

- (5) The lawyers of the Firm have examined and considered that the 100% equity interest of Wenfu Hengye Company held by Mr Qi Jian Hong was legal and valid.

2. *Inspection of defect of rights*

- (1) Pursuant to the legal provisions of Articles 49 and 78 of the Guarantee Law, no pledging or other encumbrance can be made on the equity interest transferred in accordance with the law. In the event that pledging or other encumbrance has been made, when effecting a transfer of equity interest, the transferee should be informed of this status, and the consent of the relevant holder of right should be sought.
- (2) The lawyers of the Firm enquired about the industry and commerce registration information of Wenfu Hengye Company, they also asked Mr Qi Jian Hong and obtained the written undertaking of Mr Qi Jian Hong and Wenfu Hengye Company, that undertaking specified that the 100% equity interest of Wenfu Hengye Company held by Mr Qi Jian Hong was not pledged in any form, Wenfu Hengye Company has not imposed any restriction on or made any business about the equity interest which might affect the act of transfer of equity interest or the exercise of rights by shareholders, and that no seizure, blocking of funds and other compulsory measures were made on the equity interest by any competent institution for any dispute or breach of law.
- (3) Given the above undertaking, the lawyers of the Firm consider that no restriction or obligation was made on the Target Equity Interest of this transfer which might affect the transfer or the rights of the shareholders, the transfer of equity interest did not have defect, the rights could be transferred in accordance with the law.

III. Internal decision making and approval procedure of This Equity Interest Transfer

Wenfu Hengye Company is a company with limited liability wholly-owned by natural person in nature and the 100% equity interest of which was held by Mr Qi Jian Hong. Pursuant to the legal provisions of Articles 57, 61 and 71 of the Company Law, for This Equity Interest Transfer it was sufficient that the parties concerned, namely Mr Qi Jian Hong who was the sole shareholder of Wenfu Hengye Company and the transferee Boao Economic

& Trade Company and Sparkle Roll Group Limited, Wenfu Hengye Company signed the relevant documents, and cooperated in handling the related procedures for changing the industry and commerce and tax registration, no approval by other third party was necessary.

IV. Main assets to be injected into Wenfu Hengye Company

As indicated by the information provided by Mr Qi Jian Hong and Wenfu Hengye Company, the main assets to be injected into Wenfu Hengye Company was the real estate property located at 40-1, Basement Level 1 and Levels 1 to 4 of No. 40 Xinfu 2nd Village, Chaoyang District, Beijing, with total gross floor area of 8,313.33 square metres (“**Sparkle Roll Centre Tower A Property**”), which mainly include the two properties below:

1. Property with title document

- (1) The original title document of property under the name of Mr Qi Jian Hong (Certificate number: x Jing Fang Quan Zheng Chao Zi No. 820716) state that the property with title document comprising gross floor area of 6,248.64 square metres (“**Title Property**”) was injected into Wenfu Hengye Company by Mr Qi Jian Hong by way of capital contribution in the form of ownership of premises, As at the time of issuance of this legal opinion, it was in the process of handling the relevant industry and commerce and tax registration for renewal, issuance or changing real estate title document under the name of Wenfu Hengye Company.
- (2) Regarding the above Title Property, Mr Qi Jian Hong and Wenfu Hengye Company already provided the real estate title document originally under the name of Mr Qi Jian Hong (the original title document number: x Jing Fang Quan Zheng Chao Zi No. 820716), the title document of that property indicated that the property was pledged to Beijing Branch of China Minsheng Bank Co., Ltd. According to the three copies of the “Explanation letter on the consent to the formalities for transfer of title of real estate property under contribution in kind in the form of real estate property in relation to the building at No. 40 Xinfu 2nd Village, Chaoyang District, Beijing” issued by Beijing Branch of China Minsheng Bank Co., Ltd. in December 2017 as provided by Mr Qi Jian Hong and Wenfu Hengye Company, Beijing Branch of China Minsheng Bank Co., Ltd. gave its consent to the purchase of a stake in Wenfu Hengye Company by Mr Qi Jian Hong using the pledged property as consideration through capital contribution in kind, and to the handling of the formalities of transferring the pledged property to be under the name of the new owner at the relevant government departments (tax bureau, Construction Committee), after the transfer, the handling of pledging registration of that property would follow as the pledge and guarantee for the Comprehensive Credit Contract (Number: Gong Shou Xin Zi No. 1600000174946) signed between Beijing Sparkle Roll Investment Co., Ltd. (北京耀萊投資有限公司) and the bank on 14 December 2016.

- (3) According to the Maximum Guarantee Contract “Number: Ge Gao Bao Zi No. 1600000174946” signed between Mr Qi Jian Hong and Beijing Branch of China Minsheng Bank Co., Ltd. on 15 December 2016, the above property was pledged to Beijing Branch of China Minsheng Bank Co., Ltd., the intervening period of the main debt secured by the Maximum Guarantee with the Title Property as collateral was from 15 December 2016 to 15 December 2019, the maximum amount of the debt was RMB1 billion.
- (4) In accordance with the provisions of laws and regulations and normative documents of Article 27 of the Company Law, Article 20 of the Real Right Law of the People’s Republic of China, Articles 23, 32(6), 33, 34, 72 and 73 of the Measures on Registration of Real Estate Property (the People’s Republic of China Ministry of Construction Order No. 168), as well as Articles 2 and 9 of the Opinion on simplifying industry and commerce registration procedures and optimizing entrance service of Beijing Administration for Industry and Commerce (Jing Gong Shang Fa [2013] No. 85), the lawyers of the Firm consider that originally the above Title Property was legally held by Mr Qi Jian Hong, with the written consent of the pledgee Beijing Branch of China Minsheng Bank Co., Ltd., so the purchase of a stake in Wenfu Hengye Company by Mr Qi Jian Hong using the above Title Property as consideration through capital contribution conformed to the relevant laws and regulations, and in the above Measures on Registration of Real Estate Property, Article 33 which mentions about “(I) Application for registration; (II) Identity Proof of the Applicant; (III) Title document of the real property or property title certificate; (IV) Materials proving the occurrence of transfer of ownership of the real property; (V) Other necessary materials. The materials in (IV) above can be sale and purchase contract, swap contract, gift contract, legacy proof, inheritance proof, spin off agreement, merger agreement, valid legal instruments of the people’s court or arbitration committee, or other materials proving the occurrence of transfer of ownership of the real property”, on the condition that the relevant information is ready, the time for handling the transfer of registration of the real property at the administrative regulatory department for real property not exceeding 30 working days, and the time for handling the changes in registration of registered capital at the industry and commerce administrative regulatory department for real property not exceeding 10 working days. As such, the lawyers of the Firm consider that there is no major uncertain factor such as legal obstacle, difficulty, delay or approval not being granted in respect of the purchase of a stake in Wenfu Hengye Company by Mr Qi Jian Hong using the Title Property as consideration through capital contribution, as well as of the change of real estate ownership of the Title Property under the name of Mr Qi Jian Hong to under the name of Wenfu Hengye Company. Yet in the process of This Equity Interest Transfer, Mr Qi Jian Hong needs to be responsible for discharge of the above registration of pledge with the administrative regulatory department for real property (also that discharge of registration of pledge does not need approval of other third

party government) before the “deadline” specified by the Sale & Purchase Agreement, so that Wenfu Hengye Company would entirely hold that Title Property.

2. *Transformed & Extended Property*

(1) According to the Administrative Punishment Decision of Beijing Municipal Commission of Urban Planning (Document Number: Jing Gui Xing Jue Zi 2015 No. 0004), location: the mixed usage building (including Tower A and Tower B of Sparkle Roll Centre, Xinfu 2nd Village, Chaoyang District, Beijing, the transformed and extended surface area was 4,782.03 sq. m.; according to the Premises Surface Area Surveying Technical Report of Beijing Jinfang Xingye Survey Co., Ltd. dated 17 December 2014, the transformed area of “Tower A, Xinfu 2nd Village, Chaoyang District” was 2,064.69 sq. m., that premises of 2,064.69 sq. m. was the real estate property of the intended purchase of a stake in Wenfu Hengye Company by Mr Qi Jian Hong using the construction-in-progress as consideration through capital contribution in kind (“**Transformed & Extended Property**”). As at the time of issuance of this legal opinion, the above Transformed & Extended Property was in the process of handling the capital verification of assets in kind and the relevant changes in industry and commerce registration.

(2) *Subsequent legal risks of the Transformed & Extended Property*

(i) Regarding the above Transformed & Extended Property, according to the Administrative Punishment Decision of Beijing Municipal Commission of Urban Planning (Document Number: Jing Gui Xing Jue Zi 2015 No. 0004) provided, that Transformed & Extended Property constituted illegal structure due to its transformation and extension without planning and approval, and a penalty of RMB10,998,669 was fined. As indicated in the related Administrative Remittance Slips and the Letter of Beijing Municipal Commission of Urban Planning on the handling of the relevant formalities (Document Number: Gui Bu Zi <2016> No. 06), Beijing Municipal Commission of Urban Planning, as the government planning regulatory department, already confirmed in the form of official letter that the above administrative penalty of RMB10,998,669 had already been fully paid, and the relevant formalities could be handled.

(ii) Article 24 of the Administrative Punishment of the People’s Republic of China specifies that “for the same violation act of the party concerned, no more than two counts of penalty shall be made”, the above stipulation is “the principle of no repeated punishment for the same matter” which is clearly and specifically provided for in the administrative law of China, the basic meaning of that stipulation is that for the same violation act of the party concerned, one shall not make two or more than two counts of administrative punishment based on the same facts and reasons. As such, and based on (i) above, the

lawyers of the Firm consider that the administrative violation act involved in the Transformed & Extended Property was already punished by the government planning regulatory department, and the Letter of Beijing Municipal Commission of Urban Planning on the handling of the relevant formalities (Document Number: Gui Bu Zi <2016> No. 06) obtained clearly stated that “your company can apply for the handling of the relevant formalities based on this letter”, therefore, there is no major legal obstacle for handling of the subsequent formalities of the Transformed & Extended Property (including but not limited to the title document of the premises);

- (iii) Also, according to the setup of the administrative law system of mainland China, each law enforcement right (including the administrative punishment right) of each administrative law enforcement department with law enforcement right can only enforce the law if it has the statutory authorization, so as far as the Firm is aware of, since the prior permission of the above Transformed & Extended Property was approved by Beijing Municipal Commission of Urban Planning, so only that Commission could handle any punishment and enforce the law accordingly regarding any matter of subsequent violation of that approval and permission, no other government department would have the authorization of the laws and regulations to exercise the right of law enforcement in respect of similar matters, this is the basic principle provided for in Article 3 “in the absence of statutory basis or non compliance of legal procedures, the administrative punishment shall be void” and Article 15 “the administrative punishment shall be implemented by administrative authority with the right of administrative punishment within the statutory terms of reference” of the Administrative Punishment Law of the People’s Republic of China;
- (iv) Besides, according to Article 16 “the State Council or the people’s governments at provincial, autonomous region, municipality directly under the State Council levels can decide the exercise of right of administrative punishment related to the administrative authority by an administrative authority” of the Administrative Punishment Law of the People’s Republic of China, combining the above Administrative Punishment Decision of Beijing Municipal Commission of Urban Planning of the Transformed & Extended Property, the lawyers of the Firm consider that Beijing Municipal Commission of Urban Planning was the only administrative authority exercising this kind of administrative punishment as provided for by the above law, other administrative authorities did not have the authorization to separately exercise the right of administrative punishment in respect of this kind of administrative punishment, then the legal risks of administrative punishment by other administrative authorities did not exist;

- (v) It is necessary to point out in particular that Article 29 of the Administrative Punishment Law of the People's Republic of China specifies that "if a violation act is not discovered within 2 years, no more administrative punishment shall be made", then the lawyers of the Firm consider that subsequently the legal risks of other administrative punishment by other administrative authorities in respect of the above Transformed & Extended Property did not exist.
- (vi) According to the provision of Article 2 "the lease entered into by the lessor and lessee in respect of the premises without obtaining the construction project planning permit or constructed not in line with the construction project planning permit shall be void. However, the construction project planning permit obtained or constructed under the approval of the regulatory department before the end of debate in the court of first instance, the people's court shall recognize it as valid" of the Interpretation of certain issues of specific applications of law regarding the trial of city and town real estate lease of The Supreme People's Court, the lawyers of the Firm consider that, although the legal construction approval formalities were not obtained at the time of transformation and extension of the Transformed & Extended Property, but after the construction was completed, the penalty was fully paid after the government planning regulatory department had made the administrative punishment, and the letter in writing of the government planning regulatory department agreeing on the handling of the relevant formalities was obtained, also there was no dispute or law suit, arbitration cases with any third party due to the above Transformed & Extended Property (there was also no debate at court caused by law suit or arbitration case). Also, the lawyers of the Firm think that, the Transformed & Extended Property above could be legally used and rented out to others, and the legal force of the renting out to others of the Transformed & Extended Property could be traced back to the time before the government planning regulatory department above had made the administrative punishment and had issued the letter in writing agreeing on the handling of the relevant formalities, including the List of Listed Company Leases provided by Wenfu Hengye Company and the acts of renting out to others of the related leases, as well as the corresponding acts of renting/utilization of the lessees etc were legal and valid.
- (vii) According to the provision of Clause 2.07 of Appendix 2 to the Draft Sale & Purchase Agreement: "(f) (i) the penalty, compensation or other money borne caused by government punishment, third party claim and other circumstances incurred or borne by the company due to the facts which occurred before the settlement date ("own immovable property amount borne"), or (ii) the Own Immovable Property Amount Borne led to or caused by the actual situations of the own immovable property before the settlement date which were incurred after the settlement date arising from the Own Immovable Property of the company (particularly

including real estate property under contribution in kind) of the company which was incurred after the settlement date shall be borne and paid/compensated by the transferor shareholder”, as such, the lawyers of the Firm further consider that, there was no major legal risks of the Transformed & Extended Property in the areas of subsequent utilization and handling the missing formalities, also the transferor shareholder in this transaction already made a compensation undertaking for the losses which might be caused by those risks, so in this transaction, the losses or risks which might be caused to the transferee in relation to the Transformed & Extended Property were controllable, and would not consequently make the transferee suffer from ultimate substantive losses.

- (3) Based on the above, the lawyers of the Firm are of the opinion that, before This Equity Interest Transfer and after the completion of This Equity Interest Transfer, significant legal risks due to the dismantlement or prohibition, restriction of use of the illegal structure of the Transformed & Extended Property above did not exist, Sparkle Roll Group Limited or the transferee and Wenfu Hengye Company did not have significant legal risks of the administrative punishment to be made by the relevant government departments and of payment of administrative penalty because of the above act of transformation and extension once again, after This Equity Interest Transfer would be completed, Wenfu Hengye Company would have right to continue to legally use and legally rent out the Transformed & Extended Property to others; although the punishment target of the Administrative Punishment Decision of Beijing Municipal Commission of Urban Planning (Document Number: Jing Gui Xing Jue Zi 2015 No. 0004) was Mr Qi Jian Hong, but after the Transformed & Extended Property would be injected into Wenfu Hengye Company, Sparkle Roll Group Limited or the transferee and Wenfu Hengye Company would not need to pay the relevant administrative penalty once again. Based on the existing information, there is no major uncertain factor such as legal obstacle, difficulty, delay or approval not being granted in respect of the purchase of a stake in Wenfu Hengye Company by Mr Qi Jian Hong using the Transformed & Extended Property and the above Title Property together as consideration through capital contribution, as well as the transfer/change of right of use and right to rent out etc of the Transformed & Extended Property to the name of Wenfu Hengye Company. Besides, according to the provisions of Articles 2 and 9 of the Opinion on simplifying industry and commerce registration procedures and optimizing entrance service of Beijing Administration for Industry and Commerce Administration, the lawyers of the Firm consider that, the intended purchase of a stake in Wenfu Hengye Company by Mr Qi Jian Hong using the Transformed and Extended Property above as consideration through capital contribution conforms to the relevant legal provisions, there is no need to handle registration of transfer of real property with the government planning regulatory department; besides, in Article III Clause 4 of the Opinion on simplifying industry and commerce registration procedures and optimizing entrance service of Beijing Administration for Industry and Commerce and

its Implementation Rules regarding the provision of “making capital contribution by non-monetary assets, when applying for changes in registration of paid-up capital, if the capital verification report submitted by it stated the assessment contents, and confirmed the value of properties and transfer of properties, no submission of assessment report would be requested any more. If the assessment of state-owned assets are involved, the confirmation documents are still required to be submitted to the state-owned asset administration department”, it would be sufficient to submit the capital verification proof of the Transformed & Extended Property to the industry and commerce administrative regulatory department, based on this, the time for handling the changes in registration of registered capital at the industry and commerce administrative regulatory department would not exceed 10 working days.

V. Main contents of This Equity Interest Transfer

According to the memorandum of understanding on sale and purchase of equity interest of company and property (20180130 MOU) signed by Mr Qi Jian Hong, Sparkle Roll Group Limited (耀萊集團有限公司) and Wenfu Hengye Company on 30 January 2018, as well as the draft of the Sale and Purchase Agreement on 100% Equity Interest of Beijing Wenfu Hengye Technology Development Co., Ltd. between Mr Qi Jian Hong and Boao Economic and Trade Development Co., Ltd. (Draft Sale & Purchase Agreement) for which preliminary agreement was reached by all parties but not yet signed finally, the main contents of This Equity Interest Transfer are as below:

1. Target and transfer price of This Equity Interest Transfer

The target of This Equity Interest Transfer is the 100% equity interest of Wenfu Hengye Company held by the transferor Mr Qi Jian Hong; the total transfer consideration of the Target Equity Interest is RMB652 million, according to the calculation method agreed in the Draft Sale & Purchase Agreement, it is all paid by cash.

2. Payment method and tax burden

- (1) Payment method: The first sum is RMB110 million (including the earnest money of RMB20 million already paid under 20180130 MOU). Within 15 business days from the date of signing of the Sale & Purchase Agreement, the transferee shall transfer the remainder RMB90 million of the first sum to the bank account specified by the transferor. Article 3 of the Draft Sale & Purchase Agreement provides that within 30 business days after the completion of settlement, the transferee shall transfer the second sum (balance) to the bank account specified by the transferor as per the calculation method agreed.
- (2) Tax burden: The Sale & Purchase Agreement provides that each party shall be responsible for paying all taxes charged to each respective party according to all applicable laws as a result or in relation to This Equity

Interest Transfer; but if the transferor is a natural person, then the transferee has the right to withhold and pay personal income tax for the transferor shareholder, and has the right to deduct it when paying any sum. Unless otherwise specified in the agreement, each party shall bear all the taxes and expenses incurred for completing the transaction specified by this agreement in accordance with the provisions of the laws and regulations.

3. Based on 1 and 2 above, the lawyers of the Firm consider that:

- (1) The sum of transfer consideration of This Equity Interest Transfer and the cash payment method agreed conform to the relevant legal provisions, which will not lead to obstacle, difficulty, delay or approval not being granted when handling the relevant changes in industry and commerce and tax registration within China;
- (2) According to the legal provisions of Article 115 of the Contract Law regarding “the party concerned may agree that one party shall pay deposit to the other party as guarantee of the debt according to the Guarantee Law of the People’s Republic of China. After the debtor has performed the debt, the deposit shall offset the consideration sum or be recovered. If the party paying the deposit does not perform the debt agreed upon, it does not have the right to ask for repayment of deposit; if the party receiving the deposit does not perform the debt agreed upon, it shall repay double of the deposit”, as well as Article 91 of the Guarantee Law regarding “the amount of the deposit shall be agreed upon by the parties concerned, but shall not exceed 20% of the target amount of the main contract”, at the time of reaching the intention of the transaction, the payment of a deposit which accounts for a certain percentage (not exceeding 20%) of the total sum of the transaction to the transferor conforms to the above legal provisions. Besides, according to the commercial practice of equity interest transactions and real property transactions of mainland China, generally, at the time of reaching the intention of the transaction, if partial payment is not used in the form of “deposit”, the option of payment of prepayment which accounts for a certain percentage (for example 10% to 30% or even more) of the total sum of the transaction by the transferee to the transferor also conforms to general commercial practice; the main distinction between the above “deposit” and “prepayment” is that when a party to the transaction has a default, the amount of “deposit” shall be governed by the above Article 115 of the Contract Law, whereas in general the full amount of “prepayment” will be repaid when the transaction cannot be reached eventually. As such, the lawyers of the Firm think that, the provisions of 20180130 MOU regarding the earnest money of RMB20 million as well as the Draft Sale & Purchase Agreement regarding the first sum of RMB110 million do not violate the relevant legal provisions and transaction practice above.
- (3) Boao Economic & Trade Company, as the transferee in China of this transaction and the payer of cash, does not have responsibility to obtain the approval or permission of the relevant departments of mainland China region

regarding the payment method of transfer consideration of this transaction; for the sum to be paid in cash in This Equity Interest Transfer, if the amount of that sum is higher than the net assets of the target company Wenfu Hengye Company (transfer at a premium), then the transferor Mr Qi Jian Hong needs to perform the tax payment duty according to the relevant tax collection and administration regulations, also Boao Economic & Trade Company, as the payer, has the right and duty to withhold and pay such taxes.

- (4) According to the provisions of Article 2 of the Administrative Measures on Personal Income Tax on the Proceeds of Equity Interest Transfer (Trial) of the State Administration of Taxation (State Administration of Taxation announcement 2014 No. 67) “the equity interest mentioned in this Measures mean the equity interest or shares invested by natural person shareholders (hereinafter refer to as Individual) in enterprises or organizations (hereinafter collectively refer to as invested companies, excluding wholly-owned private enterprise by Individual and partnership) set up inside China”, Article 3 “the transfer of equity interest mentioned in this Measures means the act of transfer of equity interest by an Individual to other Individuals or legal persons, including the cases below: (I) Sale of equity interest” Article 4 “transfer of equity interest by Individuals, the amount of taxable income shall be the balance of proceeds from the transfer of equity interest minus the original value of equity interest and reasonable expenses, for which the personal income tax shall be paid according to the “proceeds of transfer of property”. Reasonable expenses mean the relevant tax expenses paid at the time of transfer of equity interest, according to the provisions” as well as Article 5 “personal income tax on the proceeds of transfer of equity interest, the transferor of equity interest shall be the taxpayer, the transferee shall be the person responsible for tax withholding”, on the condition that the value of the “balance of income from the transfer of equity interest minus the original value of equity interest and reasonable expenses” of Mr Qi Jian Hong is positive, the transferee Boao Economic & Trade Company has the right and duty to act as the person responsible for tax withholding, who shall withhold and pay personal income tax on behalf of Mr Qi Jian Hong, and shall has the right to deduct this when paying Mr Qi Jian Hong at the time of paying any sum. Regarding the determination of “income from the transfer of equity interest” and “original value of equity interest”, this shall be executed according to the relevant provisions of Chapter 2 “Determination of Income from Transfer of Equity Interest” and Chapter 3 “Determination of Original Value of Equity Interest” of the Administrative Measures on Personal Income Tax on the Proceeds of Equity Interest Transfer (Trial) above.

4. Effectiveness of the Sale & Purchase Agreement

According to the provisions of the Sale & Purchase Agreement, and according to the relevant provisions of the Contract Law, the lawyers of the Firm consider that the Sale & Purchase Agreement (including its appendix documents) complies with the basic

principles of the Contract Law, and does not violate the prohibitive and restrictive provisions of the prevailing laws and regulations of China, it is a lawful and effective contractual document, and will be legal binding upon the parties concerned as soon as it is properly signed.

5. *To sum up, the lawyers of the Firm consider that:*

- (1) The contents of the draft Sale & Purchase Agreement conform to the provisions of the relevant prevailing laws and regulations of China, and relatively detailed agreement has been reached over the contents such as the rights and duties of each party, default responsibilities, applicable law etc, the agreement is lawful and effective;
- (2) Mr Qi Jian Hong legally holds the Title Property and the Transformed & Extended Property, Mr Qi Jian Hong can use these real estate properties as consideration through capital contribution to purchase a stake in Wenfu Hengye Company, and after the relevant capital contribution formalities are completed, Wenfu Hengye Company will legally hold these real estate properties (Sparkle Roll Centre Tower A Property);
- (3) Before This Equity Interest Transfer and after the completion of This Equity Interest Transfer, significant legal risks due to the dismantlement or prohibition, restriction of use because of the illegal construction of the Transformed & Extended Property above did not exist, Sparkle Roll Group Limited or the transferee and Wenfu Hengye Company did not have significant legal risks of the administrative punishment to be made by the relevant government authorities and of payment of administrative penalty because of the above act of transformation and extension once again, after This Equity Interest Transfer would be completed, Wenfu Hengye Company would have the right to continue to legally use and legally rent out the Transformed & Extended Property to others. Based on the available information, there is no major uncertain factor such as legal obstacle, difficulty, delay or approval not being granted in respect of the purchase of a stake in Wenfu Hengye Company by Mr Qi Jian Hong using the Transformed and Extended Property as consideration through capital contribution; for the intended purchase of a stake in Wenfu Hengye Company by Mr Qi Jian Hong using the Transformed and Extended Property above as consideration, the time for handling the changes in registration of registered capital at the industry and commerce administrative regulatory department would not exceed 10 working days.

VI. Conclusion and Opinion

Based on the above legal analysis, the lawyers of the Firm are of the opinion that the Transferor of this Equity Interest Transfer, Mr Qi Jian Hong has the relevant civil act capacity, and has the qualifications as subject of This Equity Interest Transfer; the Target Company Wenfu Hengye Company is a limited company legally set up and validly subsisting, the history of its equity interest is clear, the governance structure of the legal

person is complete, without law suit, arbitration and proceedings being executed; the transferee Boao Economic & Trade Company is a legal person legally set up and validly subsisting in accordance with the law, it has the qualifications as subject of the Target Equity Interest to be transferred.

In This Equity Interest Transfer, Mr Qi Jian Hong intended to inject capital into the main assets of Wenfu Hengye Company, that is Sparkle Roll Centre Tower A Property, after the relevant capital injection procedures are performed, Wenfu Hengye Company will legally own Sparkle Roll Centre Tower A Property, and the lawyers of the Firm consider that, there is no legal obstacle for the completion of purchase of a stake in Wenfu Hengye Company by Sparkle Roll Centre Tower A Property using as consideration, after the completion of the transaction, the transferee Boao Economic as Trade Company can entirely and legally possess the ownership of Sparkle Roll Centre Tower A Property via Wenfu Hengye Company, and will have the right to possess, use, transfer, rent out, pledge or dispose of Sparkle Roll Centre Tower A Property in other lawful ways according to the provisions of the Chinese laws.

The contents of the Draft Sale & Purchase Agreement conform to the provisions of the relevant prevailing laws and regulations of China, and relatively detailed agreement has been reached over the contents such as the rights and duties of each party, default responsibilities, applicable law etc, the agreement is lawful and effective, it will be legal binding upon the parties concerned as soon as it is properly signed.

This Legal Opinion contains one set of three copies, it shall become effective after it is signed by the Firm and signed by the lawyers handling the case.

Beijing Ruan Si Qiao Legal Firm (北京阮思喬律師事務所)
Lawyer (signature): Ruan Si Qiao

6 March 2018

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there is no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short position of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under SFO) or were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long position or short position in the Shares

Name of Director	Capacity	Number of Shares <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i> (%)
Mr. Zheng Hao Jiang	Interest of controlled corporation	10,640,000 (L)	0.21
Mr. Choy Sze Chung, Jojo	Beneficial owner	1,000,000 (L)	0.02
Mr. Lee Thomas Kang Bor	Beneficial owner	1,256,000 (L)	0.03

Notes:

- (1) The letter "L" denotes a person's "long position" in such Shares.
- (2) The percentage of shareholding is calculated on the basis of 4,941,237,447 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, none of the Directors or chief executive of the Company had been notified of any interest or short position in the Shares, underlying Shares or debenture of the Company or any of its associated corporations as defined in Part XV of the SFO as at the Latest Practicable Date.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, as far as it was known by the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company disclosed under “Directors’ interests and short positions in the securities of the Company and its associated corporations” section above) had an interest in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of the Company:

Long position or short position in the Shares

Name of Shareholder	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding (Note 2) (%)
Sparkle Roll Holdings Limited	Beneficial owner	2,321,012,630 (L)	46.97
Mr. Qi	Beneficial owner Interested of controlled corporation (Notes 3 & 4)	307,224,000 (L) 2,321,012,630 (L)	6.22 46.97
Ms. Zhu Shuang	Interest of spouse (Note 3)	2,628,236,630 (L)	53.19
Able Honour Holdings Limited	Having a security interest in shares (Note 4)	1,200,000,000 (L)	24.29
Ms. Xu Jiaying	Beneficial owner Interested of controlled corporation (Note 4)	4,208,000 (L) 1,200,000,000 (L)	0.08 24.29

Name of Shareholder	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding (Note 2) (%)
UBS Group AG	Having a security interest in shares	300,288,000 (L)	6.08
	Interest of controlled corporation (Note 5)	420,000 (L)	0.01
	Interest of controlled corporation (Note 5)	420,000 (S)	0.01

Notes:

- (1) The letter “L” denotes a person’s “long position” in such Shares and the letter “S” denotes a person’s “short position” in such Shares.
- (2) The percentage of shareholding is calculated on the basis of 4,941,237,447 Shares in issue as at the Latest Practicable Date.
- (3) These 2,321,012,630 Shares were held by Sparkle Roll Holdings Limited. Sparkle Roll Holdings Limited is a company wholly owned by Mr. Qi. Accordingly, Mr. Qi was deemed to be interested in the Shares held by Sparkle Roll Holdings Limited. Ms. Zhu Shuang is the wife of Mr. Qi. Accordingly, Ms. Zhu Shuang was deemed to be interested in the Shares held by Sparkle Roll Holdings Limited and Mr. Qi.
- (4) Among these 2,321,012,630 Shares, 1,200,000,000 Shares have been charged to Able Honour Holdings Limited as security interest. Able Honour Holdings Limited is 100% controlled by Ms. Xu Jiaying. Accordingly, Ms. Xu Jiaying is deemed to be interested in all the Shares in which Able Honour Holdings Limited.
- (5) These 420,000 Shares and 420,000 short positions were held by UBS Securities LLC which is a company 100% controlled by UBS Group AG. Accordingly, UBS Group AG was deemed to be interested in the Shares and short positions held by UBS Securities LLC.

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of the Company.

3. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased, or which were proposed to be acquired or disposed of by, or leased to any member of the Group since 30 September 2017 (the date to which the latest published unaudited consolidated financial statements of the Group was made up). As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or their respective close associates was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) as at the Latest Practicable Date.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any other service agreements proposed which would not expire or be determinable by the member of the Group within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, save for the litigations cases as disclosed in the announcements of the Company dated 3 October 2017, 12 October 2017, 19 December 2017, 29 December 2017 and 3 April 2018 respectively, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by members of the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date and is or may be material:

- (a) the conditional sale and purchase agreement dated 20 October 2016 entered into between the Company, Sparkle Roll Xin Tian Di Commerce Development Limited* (北京耀萊新天地商業發展有限公司), Sparkle Roll Holdings Limited ("SRHL"), Beijing Sparkle Roll Investment Limited* (北京耀萊投資有限公司) ("BJSRIL") and Mr. Qi in relation to the acquisition of (i) a total of 6,519,358 shares of Bang & Olufsen A/S, beneficially owned by SRHL, for the consideration of HK\$494,145,496.35; and (ii) a portion in the paid up capital of

Balanorm Beo (Beijing) Trading Development Limited* (衡准寶聲(北京)貿易發展有限公司) (“Balanorm Beo”) to the extent of RMB24,500,000, constituting 49% of the entire paid up capital in the amount of RMB50,000,000 in Balanorm Beo, contributed by and registered in the name of BJSRIL, for the consideration of HK\$28,488,372.30;

- (b) the investment agreement dated 19 September 2017 and entered into between 北京德特汽車貿易有限公司 (Beijing De Te Motors Trading Limited*) (“Beijing De Te Motors Trading”) and 深圳市小贏普惠科技有限責任公司 (Shenzhen Xiao Ying Pu Hui Technology Co., Ltd.*) (“Xiao Ying Pu Hui Technology”) in respect of the peer-to-peer (P2P) internet financing portfolios made or to be made to individual borrower(s) via the online platform of the 深圳市小贏科技有限責任公司 (Shenzhen Xiao Ying Technology Co., Ltd.*) (“Xiao Ying Technology”) and its subsidiaries from time to time on contracts insured by ZhongAn Online P&C Insurance (“P2P Financing Portfolios”) in the sum of RMB5,000,000;
- (c) the investment agreement dated 19 September 2017 and entered into between Beijing De Te Motors Trading and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB10,000,000;
- (d) the investment agreement dated 19 September 2017 and entered into between 北京美合振永汽車貿易有限公司 (Beijing Mei He Zhen Yong Motors Trading Limited*) (“Beijing Mei He Zhen Yong Motors Trading”) and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB5,000,000;
- (e) the investment agreement dated 21 September 2017 and entered into between 北京耀萊新天地商業發展有限公司 (Beijing Sparkle Roll Xin Tian Di Commerce Development Limited*) (“Beijing Sparkle Roll Xin Tian Di Commerce Development”) and 深圳市贏眾通金融信息服務有限責任公司 (Shenzhen Ying Zhong Tong Finance Information Services Co., Ltd.*) (“Ying Zhong Tong Finance Information”) in respect of P2P Financing Portfolios in the sum of RMB5,000,000;
- (f) the investment agreement dated 21 September 2017 and entered into between Beijing Mei He Zhen Yong Motors Trading and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB10,000,000;
- (g) the investment agreement dated 26 September 2017 and entered into between 耀萊東方(北京)貿易發展有限公司 (Sparkle Roll Oriental (Beijing) Trading Development Limited*) (“Sparkle Roll Oriental (Beijing) Trading Development”) and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB5,000,000;
- (h) the investment agreement dated 29 September 2017 and entered into between Beijing Sparkle Roll Xin Tian Di Commerce Development and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB10,000,000;

- (i) the investment agreement dated 29 September 2017 and entered into between 北京耀萊盛世傳奇國際會展有限公司 (Beijing Sparkle Roll Goldence Saga International Exhibition Limited*), (“Beijing Sparkle Roll Goldence Saga International Exhibition”) and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB5,000,000;
- (j) the investment agreement dated 1 October 2017 and entered into between 北京耀萊空中廣告傳媒有限公司 (Beijing Sparkle Roll Aerial Advertising Multi-media Limited*) (“Beijing Sparkle Roll Aerial Advertising Multi-media”) and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB5,000,000;
- (k) the investment agreement dated 1 October 2017 and entered into between 耀萊在綫(北京)商業服務有限公司 (Sparkle Roll Online (Beijing) Business Service Limited*) and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB5,000,000;
- (l) the investment agreement dated 1 October 2017 and entered into between 耀萊博策貿易發展有限公司 (Sparkle Roll Bo Ce Trading Development Limited*) and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB5,000,000;
- (m) the investment agreement dated 10 October 2017 and entered into between Sparkle Roll Oriental (Beijing) Trading Development and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB10,000,000;
- (n) the investment agreement dated 19 October 2017 and entered into between Beijing Sparkle Roll Aerial Advertising Multi-media and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB10,000,000;
- (o) the investment agreement dated 20 October 2017 and entered into between Beijing Sparkle Roll Goldence Saga International Exhibition and Xiao Ying Pu Hui Technology in respect of P2P Financing Portfolios in the sum of RMB10,000,000;
- (p) the placing agreement dated 24 October 2017 entered into between the Company as issuer and KGI Asia Limited as placing agent in respect of the placing of up to an aggregate 800,000,000 new shares of HK\$0.002 each at the placing price of HK\$0.5681 per share in consideration for the placing commission of 3% of the aggregate placing price of the shares placed;
- (q) the asset management agreement dated 1 December 2017 (as supplemented by a supplemental agreement entered into between the same parties dated 2 March 2018) entered into between Sparkle Roll (Denmark) Limited and CEFC (HK) Asset Management Limited in relation to the investment and management of cash amount of HK\$440,000,000 to be deposited by Sparkle Roll (Denmark) Limited with CEFC (HK) Asset Management Limited;
- (r) the MOU; and

(s) the Acquisition Agreement.

8. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
TC Capital International Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Crowe Horwath (HK) CPA Limited	Certified Public Accountants
AVISTA Valuation Advisory Limited	Independent valuer
北京阮思喬律師事務所 (Beijing Ruan Si Qiao Legal Firm*)	Qualified PRC lawyers

Each of the above experts had given and had not withdrawn its written consent to the issue of this circular with copies of its letter and/or reports and the references to its name included in this circular in the forms and contexts in which they are respectively included. Each of the above experts confirmed that as at the Latest Practicable Date:

- (a) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (b) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2017, being the date to which the latest published audited accounts of the Company were made up.

9. GENERAL

- (a) The company secretary and the financial controller of the Company is Mr. Li Yat Ming. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business of the Company is Rooms 2028-36, 20/F Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.
- (c) The principal share registrar of the Company is MUFG Fund Services (Bermuda) Limited of The Belvedere Building, 69 Pitts Bay Road, Pembroke, Bermuda.
- (d) The Hong Kong branch share registrar of the Company is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text (save for the PRC Legal Opinion as set out in Appendix VI of this circular which the Chinese text shall prevail) in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of the Company in Hong Kong at Rooms 2028-36, 20/F Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong during normal business hours on a business day in Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the Acquisition Agreement;
- (c) the annual reports of the Company for each of the two financial years ended 31 March 2016 and 2017;
- (d) the interim report of the Company for the six months ended 30 September 2017;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (f) the letter from TC Capital, the text of which is set out on pages 18 to 33 of this circular;
- (g) the accountant's report on the Target Company as set out in Appendix II to this circular;
- (h) the report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix IV to this circular;

- (i) the property valuation report on the Property as set out in Appendix V to this circular;
- (j) the PRC legal opinion as set out in Appendix VI to this circular;
- (k) the written consents referred to in the paragraph headed “8. Experts and Consents” in this appendix;
- (l) the material contracts referred to in the paragraph headed “7. Material Contracts” in this appendix; and
- (m) this circular.

NOTICE OF SPECIAL GENERAL MEETING



Sparkle Roll Group Limited

耀萊集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 970)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Sparkle Roll Group Limited (the “**Company**”) will be held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 4:30 p.m. on Friday, 11 May 2018 to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the sale and purchase agreement dated 6 March 2018 (the “**Acquisition Agreement**”) entered into among Mr. Qi Jian Hong (綦建虹) (the “**Vendor**”), Boao Economic and Trade Development Co. Ltd.* (鉑傲經貿發展有限公司) (the “**Purchaser**”), the Company and Beijing Wenfu Hengye Technology Development Co., Ltd.* (北京文福恒業科技發展有限公司) (the “**Target Company**”) in relation to the acquisition (the “**Acquisition**”) by the Purchaser of the entire equity interest in the Target Company from the Vendor, a copy of which has been produced to the meeting and signed by the chairman of the meeting marked “A” and initialed by the Chairman of the meeting for the purpose of identification, and that all the transactions in relation to the Acquisition contemplated thereunder be and they are hereby approved, confirmed and ratified; and
- (b) the directors (the “**Directors**”) of the Company be and are hereby authorised to exercise all the powers of the Company to perform all such acts, deeds and things and execute all documents and to take all steps and/or to enter into any transactions, arrangements, contracts, supplemental agreements as they consider necessary, desirable or expedient to effect and implement and/or to give effect to the terms of Acquisition Agreement, the Acquisition and the transactions contemplated thereunder (with any amendments to the terms of such agreement which are not inconsistent with the purpose thereof as may be approved by the Directors) and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers which are not material in the context of the entire Acquisition as a whole. For the avoidance of doubt, all such acts, deeds and things and such documents to be performed or

NOTICE OF SPECIAL GENERAL MEETING

executed are limited to acts, deeds, things, documents, transactions, arrangements, contracts, and supplemental agreements that are ancillary or giving effect to the Acquisition Agreement, the Acquisition and the transactions contemplated thereunder and are not inconsistent with the purpose thereof as may be approved by the Directors.”

By order of the Board
Sparkle Roll Group Limited
Li Yat Ming
Company Secretary

Hong Kong, 24 April 2018

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Rooms 2028-36,
20/F Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more than one proxy to attend, and subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time scheduled for holding the Meeting (i.e. at or before 4:30 p.m. on Wednesday, 9 May 2018 (Hong Kong time)) or adjourned meeting thereof.
3. A form of proxy for use at the Meeting is enclosed. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or an adjourned meeting in cases where the Meeting was originally held within 12 months from such date.
4. The register of members of the Company will be closed from Tuesday, 8 May 2018 to Friday, 11 May 2018 (both days inclusive) during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 7 May 2018.
5. Unless otherwise defined herein, capitalised terms used in this notice shall have the same meanings as those used in the circular of the Company dated 24 April 2018.

NOTICE OF SPECIAL GENERAL MEETING

As at the date of this notice, the Company has three executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, Mr. Zhu Lei and Mr. Cheung Man Kit. The non-executive Directors are Mr. Gao Yu, Mr. Qi Jian Wei and Mr. Tang Sung Wai. The independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Lee Thomas Kang Bor.

* *for identification purpose only*