

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.*



## **SPARKLE ROLL GROUP LIMITED**

**耀萊集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 970)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CHEER SUMMIT INVESTMENT LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER GENERAL MANDATE**

**Financial adviser to the Company**



The Board is pleased to announce that on 29 October 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor and the Target Company entered into the SPA, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Share at an initial Consideration of HK\$102,000,000 which may be adjusted up to HK\$252,000,000 if all the Earn-out Adjustments are triggered. The initial Consideration will be settled by the issuance of the Consideration Shares and, if any of the Earn-out Adjustments is triggered, the adjusted portion of the Consideration will be settled by the issuance of the Convertible Bonds.

Both the Consideration Shares and the Convertible Bonds will be allotted and issued to the Vendor pursuant to the SPA under the General Mandate and therefore are not subject to Shareholders' approval. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares. No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial statements of the Target Group will be consolidated into the accounts of the Group.

As some of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but all the applicable percentage ratios are less than 25%, the Acquisition shall, when completed, constitute a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements only but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

**As the Completion is subject to the fulfilment and/or waiver of the conditions precedent set out in the SPA, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board is pleased to announce that on 29 October 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendor and the Target Company entered into the SPA, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Share at an initial Consideration of HK\$102,000,000 which may be adjusted up to HK\$252,000,000 if all the Earn-out Adjustments are triggered. The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser and was based on normal commercial terms.

## **THE ACQUISITION**

The principal terms of the SPA are set out below.

### **Date**

29 October 2018 (after trading hours)

### **Parties**

- (1) Reliable Intelligence International Limited, an indirect wholly-owned subsidiary of the Company, being the Purchaser,
- (2) Ms. Tam Cho Wai Josephine, being the Vendor; and
- (3) Cheer Summit Investment Limited, being the Target Company.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and the Target Company are third parties independent of the Company and its connected persons.

## Subject matter

Pursuant to the SPA, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company; subject to the fulfilment of the conditions precedent. Details of the Target Group are set out in the section headed “Information of the Target Group” below. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

## Consideration

The initial Consideration for the Sale Share shall be HK\$102,000,000 and the maximum Consideration payable by the Purchaser to the Vendor for the Acquisition shall be HK\$252,000,000. The initial Consideration shall be satisfied by way of allotment and issuance of 340,000,000 Consideration Shares at HK\$0.3 per each by the Company to the Vendor on the date of the Completion.

## Earn-out Adjustments

In the event that the financial performance of the Target Group reaches the following targets, the Consideration shall be adjusted as follows:

- (i) At the time that the accumulated audited profit after tax of the Target Group within the three years ending 31 December 2021 in any reporting period (calculated since the date of the Completion) shall reach HK\$36,000,000 (the “**First Target**”), the Consideration shall be adjusted upward by HK\$36,000,000, which shall be settled by the issuance of the Convertible Bonds in the principal sum of HK\$36,000,000 (the “**First Tranche of Convertible Bonds**”) as soon as the First Target is achieved (the “**First Adjustment**”);
- (ii) After achieving the First Target, at the time that the accumulated audited profit after tax of the Target Group within the three years ending 31 December 2021 in any reporting period (calculated since the date of the Completion) shall reach HK\$84,000,000 (the “**Second Target**”), in addition to the First Adjustment, the Consideration shall be adjusted upward by HK\$48,000,000, which shall be settled by the issuance of the Convertible Bonds in the principal sum of HK\$48,000,000 (the “**Second Tranche of Convertible Bonds**”) as soon as the Second Target is achieved (the “**Second Adjustment**”); and
- (iii) After achieving the Second Target, at the time that the accumulated audited profit after tax of the Target Group within the three years ending 31 December 2021 in any reporting period (calculated since the date of the Completion) shall reach HK\$150,000,000 (the “**Third Target**”), in addition to the First Adjustment and the Second Adjustment, the Consideration shall be adjusted upward by HK\$66,000,000, which shall be settled by the issuance of the Convertible Bonds in the principal sum of HK\$66,000,000 (the “**Third Tranche of Convertible Bonds**”) as soon as the Third Target is achieved (the “**Third Adjustment**”).

## **Basis of the Consideration**

The initial Consideration of HK\$102,000,000 was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the valuation of the Rights of Investments in the Movies pursuant to the valuation report ("**Valuation Report**") prepared by an independent valuer engaged by the Company using the market approach in the sum of approximately HK\$251.7 million, being the total market value of the Rights of Investment in the Movies, less the unpaid investment commitment by the Target Group arising from the contracts contemplating the Rights of Investments in the Movies of approximately HK\$146.0 million equaling to the net amount of approximately HK\$105.7 million. According to the Valuation Report, as Movie C and Movie D are in pre-production stage, assessment of investment rights of them is not feasible. Therefore, the value of the Rights of Investments in the Movies in the sum of HK\$251.7 million reflect the total value of the investments rights of the movies named "The Diary" and "Project X-traction". The potential value of the rights in connection of Movie C and Movie D cannot be reliably measured as at the date of the Acquisition. The adjusted portion of the Consideration arising from the Earn-out Adjustments of maximum HK\$150,000,000 is contingent in nature and was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the target performances of the Target Group as conditions of the issuance of the Convertible Bonds. In addition, the determination of the Consideration has also taken into account of the established credential of the Vendor in the Asian film industry.

Having considered the above and the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below, the Directors consider that the Consideration and the terms and conditions of the SPA are fair and reasonable.

## **Conditions precedent**

Completion of the Acquisition is conditional upon the satisfaction (or, if applicable, the waiver) of the following conditions precedent:

- (a) The Vendor is the legal and beneficial owner of the Sale Share, which is free from any encumbrance or third party's rights; and the Target Company is the legal and beneficial owner of San Sparkle, free from any encumbrance or third party's rights;
- (b) All warranties as set out in the recital of the SPA and given by the Vendor in the SPA remaining true, correct and complete in all aspects as at the date of Completion;
- (c) No laws, rules or regulations of any government authorities having been implemented, approved or resolved that would render the proposed Acquisition illegal or would limit or prohibit the enforceability of the SPA;

- (d) The board of directors of the Company having passed the resolutions to approve the SPA and all the transactions contemplated thereunder;
- (e) All existing directors; supervisors and managers of the Target Company and San Sparkle having submitted his/her/its resignations; all directors; supervisors and managers nominated by the Purchaser having been appointed; and all existing directors; supervisors and managers whom the Purchaser agree to retain having been appointed;
- (f) The Purchaser having conducted and completed due diligence on the business, financial and legal matters, in relation to the Target Company and San Sparkle, and the Purchaser being satisfied with the results of such due diligence in its absolute discretion;
- (g) All relevant Parties having executed the SPA and all necessary agreements; and the original of the same having been delivered to the Purchaser;
- (h) There having been no change on the Target Group's ownership of the Rights of Investments in the Movies which may affect the valuation thereof since the date of the SPA and the Purchaser being satisfied that there shall be no change or encumbrances which will affect the Target Group's ownership of the Rights of Investments in the Movies after Completion;
- (i) The certified true copies of corporate documents of each of the Target Company and San Sparkle, including but not limited to Certificate of Incorporation, Articles of Association, current Business Registration Certificate (if applicable), updated Register of Members, updated Register of Directors, updated Significant Controllers Register (if applicable), updated Register of Charges (if applicable) and such other constitutional documents or statutory records having been received by the Purchaser to its full satisfaction;
- (j) The Purchaser having received and being satisfied with the Valuation Report;
- (k) The Company having obtained approval from the Stock Exchange for the listing of, and the permission to deal in the Consideration Shares and the Conversion Shares; and
- (l) The Vendor entering into a new advisory agreement for a term not less than five years in the form agreed by the Purchaser with San Sparkle.

In the event that any of the above conditions precedent cannot be fulfilled or waived within three months from the date of signing the SPA (or any other date as agreed by the Parties in writing), the SPA and the transactions contemplated thereunder shall become null and void, without prejudice to the rights of any Party against the other Party(ies) in relation to antecedent breach of any terms of the SPA. Except as otherwise stated in the SPA, the Parties shall be released from all obligations and liabilities thereunder there from.

As at the date of this announcement, save for condition precedent (d) above, none of the conditions precedent have been fulfilled. The Purchaser may at its sole and absolute discretion and at any time waive, by notice in writing to the Vendor, the conditions precedent (b), (c), (e), (f), (g), (i), (j) and (l) above. None of the other conditions precedent set out in the SPA may be waived by any Party unilaterally.

### **Consideration Shares**

The Consideration Shares will be issued pursuant to the General Mandate. The Consideration Shares, when issued, in total, would represent approximately 7.16% of the issued share capital of the Company as at the date of passing of the resolution for granting the General Mandate, approximately 7.27% of the existing issued share capital of the Company as at the date of this announcement and approximately 6.77% of the issued share capital of the Company as enlarged by the issuance of the Consideration Shares.

The maximum number of the Shares that can be issued under the General Mandate is 949,065,089 Shares. As at the date of this announcement, no Shares have been issued under the General Mandate. Accordingly, the number of Shares that can be issued under the General Mandate is 949,065,089 Shares which is sufficient for the issue and allotment of the Consideration Shares and is not subject to the Shareholders' approval.

The issue price of the Consideration Shares shall be HK\$0.3 per Share and was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the current market price of the Shares. The issue price of HK\$0.3 per Consideration Share represents:

- (a) a premium of approximately 1.69% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on 29 October 2018, the date of this announcement;
- (b) a premium of approximately 0.67% over the average closing price of approximately HK\$0.298 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of this announcement; and
- (c) a premium of approximately 0.84% over the average closing price of approximately HK\$0.2975 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of this announcement.

The Directors consider that the issue price of the Consideration Shares is fair and reasonable and on normal commercial terms.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in the Consideration Shares. The Consideration Shares shall at all times rank *pari passu* among themselves and with the Shares in issue as at the date of issuance of the Consideration Shares.

## **Lock-up restriction**

The Consideration Shares are subject to lock-up restriction for the period from the date of issuance to 31 December 2021 during which period, the Vendor undertakes not to dispose of the Consideration Shares except when:

- (i) the accumulated audited profit after tax of the Target Group within the three years ending 31 December 2021 in any reporting period (calculated since the date of the Completion) shall reach HK\$36,000,000. Then, up to 110,000,000 Consideration Shares are released from the lock-up restriction;
- (ii) the accumulated audited profit after tax of the Target Group within the three years ending 31 December 2021 in any reporting period (calculated since the date of Completion) shall reach HK\$84,000,000. Then, up to 220,000,000 Consideration Shares are released from the lock-up restriction; and
- (iii) the accumulated audited profit after tax of the Target Group within the three years ending 31 December 2021 in any reporting period (calculated since the date of Completion) shall reach HK\$150,000,000. Then, all the Consideration Shares are released from the lock-up restriction.

## **Completion**

Completion shall take place on the tenth Business Day after all the conditions precedent of the SPA are satisfied (or waived as the case may be), or such other date as the Vendor and the Purchaser may agree in writing.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial statements of the Target Group will be consolidated into the accounts of the Group.

## **Convertible Bonds**

Pursuant to the SPA, if any of the Earn-out Adjustments is triggered, the adjusted portion of the Consideration will be settled by the issuance of the Convertible Bonds by the Company to the Vendor. The principal terms of the Convertible Bonds are summarised as follows:

Issuer: the Company

Subscriber: the Vendor

Principal amount: Up to HK\$150,000,000 in three tranches:

- (1) If the First Target is met, HK\$36,000,000 for the First Tranche of Convertible Bonds;

- (2) If the Second Target is met, in addition to the First Tranche of Convertible Bonds, HK\$48,000,000 for the Second Tranche of Convertible Bonds; and
- (3) If the Third Target is met, in addition to the First and Second Tranches of Convertible Bonds, HK\$66,000,000 for the Third Tranche of Convertible Bonds.

Maturity Date: 31 December 2022

Interest: Nil

Conversion rights: Holder of the Convertible Bonds will have the right, subject to the satisfaction of the conversion restrictions set out thereunder, to convert the Convertible Bonds in whole or in part of the outstanding principal amount of the Convertible Bonds into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price and no fraction of a Share shall be issued on conversion.

Conversion restrictions: (a) any exercise of Conversion Rights shall be subject to all applicable legal requirements, rules and regulations, including but not limited to the Listing Rules and the Takeovers Code; and

(b) any conversion shall be in board lot of initially 10,000,000 Shares plus the integral multiples of 1,000,000 Shares.

Conversion Price: The initial Conversion Price shall be HK\$0.3 per Conversion Share, subject to adjustment arising from alteration of the nominal amount of the Shares caused by share consolidation, share subdivision, rights issue or any other reasons as provided in the terms and conditions of the Convertible Bonds.

The initial Conversion Price of HK\$0.3 per Conversion Share represents:

- (a) a premium of approximately 1.69% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on 29 October 2018, the date of this announcement;

- (b) a premium of approximately 0.67% over the average closing price of approximately HK\$0.298 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of this announcement; and
- (c) a premium of approximately 0.84% over the average closing price of approximately HK\$0.2975 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of this announcement.

Conversion Shares:	Based on the initial Conversion Price of HK\$0.3 per Conversion Share, 500,000,000 Shares of the Company to be allotted and issued pursuant to the General Mandate.
Redemption:	All outstanding principal amount of the Convertible Bonds which have not been redeemed or converted will be redeemed by the Company on the Maturity Date at the Redemption Price.
Redemption Price:	The face value of the Convertible Bonds at HK\$1,000 x 100%
Transferability:	<ul style="list-style-type: none"><li>(a) the Convertible Bonds (nor any part thereof) can be transferred without the prior written consent of the Company, save and except to a connected person of the Company;</li><li>(b) any transfer of any Convertible Bonds shall be in respect of the whole or any part (in an amount not less than HK\$1,000 or such other amount to be agreed by the Company) of the outstanding principal amount of that Convertible Bonds.</li></ul>
Voting rights:	The holder of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bonds.
Listing:	No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Status:	Save and accept otherwise regulated under applicable laws, the Convertible Bonds shall at all times rank <i>pari passu</i> among themselves and with all existing and future unsubordinated and unsecured obligations.

## **Vendor's Post-completion undertaking and indemnity**

The Vendor undertakes to indemnify the Purchaser, the Target Company and/or San Sparkle on a full indemnity basis any losses, damages, costs or expenses (if any) incurred or suffered by the Purchaser and/or the Target Company and/or San Sparkle after Completion which is/are directly or indirectly resulted from or arising out of or in relation to the changes of the shareholding structures, the financial and accounting arrangements of the Target Company and/or of San Sparkle prior to Completion.

If upon the audit of the financial statements of the Target Group conducted by the Group when it is consolidated into the accounts of the Group, the Group is, in its absolute discretion, of the opinion that the Target Group has any undisclosed liabilities, the Vendor undertakes to indemnify the Purchaser, the Target Company and/or San Sparkle such liabilities on a full indemnity basis by way of cash within 7 days from the date of issuance of notice of payment from the Group to the Vendor.

## **INFORMATION OF THE TARGET GROUP AND THE VENDOR**

The Target Company is a company incorporated in the BVI with limited liability on 5 September 2018. The Target Company is principally engaged in investment holding.

San Sparkle, the wholly-owned subsidiary of the Target Company, is a company incorporated in Hong Kong with limited liability on 16 July 2014. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

San Sparkle is principally engaged in the movie industry. At the time of this announcement, San Sparkle held the Rights of Investments in the Movies as follows:

- a. movie named "The Diary" – 30% of the right to invest;
- b. movie named "Project X-traction" – 20% of the right to invest;
- c. movie C – the conditional right to co-production; and
- d. movie D – the conditional right to co-production.

In respect of the movie named "The Diary" and "Project X-traction", San Sparkle holds the right to receive the revenue (net of the necessary expenses) and intellectual property rights to these two movies according to its investment ratio in the respective movies; that is, in the case of "The Diary", 30% and in the case of "Project X-traction", 20%. San Sparkle also holds the first investment right in any by-product derived from these two movies. San Sparkle has entered in a contract with a production company for each of Movie C and Movie D, under which San Sparkle agreed to cooperate with the production company for the purpose of liaising with third parties to obtain the respective intellectual property rights of each of the movies conditional upon obtaining such intellectual rights.

Ms. Tam is renowned film producer in Asia and has jointly produced numerous award winning films, including: “I Am Not Madame Bovary 《我不是潘金蓮》” won 53rd Golden Horse Award for Best Director and Audience Choice; won 64th San Sebastian Film Festival for Silver Shell Best Actress and Golden Shell Best Film; won 11th Asian Film Award for Best Film, Best Actress and Best Cinematographer, 31st Golden Rooster Awards for Best Director, Best Actress and Best Supporting Actor; and “CZ12 《十二生肖》” won the 32nd Hong Kong Film Awards for Best Action Choreography.

Other acclaimed film works recently jointly produced by Ms. Tam include: “Dragon Blade 《天將雄師》”, “Railroad Tigers 《鐵道飛虎》”, “Kung Fu Yoga 《功夫瑜伽》”, “Skiptrace 《絕地逃亡》”, “The Foreigner 《英倫對決》” etc. Among them, “Kung Fu Yoga 《功夫瑜伽》”, “CZ12 《十二生肖》” and “Skiptrace 《絕地逃亡》” respectively achieved RMB1.7 billion, RMB880 million and RMB880 million in box office receipts.

In addition to film and television, Ms. Tam is the artist manager of Dr. Chan Kong Sang, Jackie (alias 成龍), including commercial sectors, cultural and art sections, etc. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

### **Financial information of the Target Group**

As advised by Vendor, as the Target Company was incorporated on 5 September 2018 and engaged in investment holding.

Set out below is the proforma combined financial information of the Target Group based on its unaudited financial statements prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 March 2018 (Unaudited) HK\$</b>	<b>For the year ended 31 March 2017 (Unaudited) HK\$</b>
Net profit before taxation and extraordinary items	—	—
Net profit after taxation and extraordinary items	—	—

The unaudited proforma combined net assets of the Target Group were HK\$10,000 as at 31 March 2017 and 2018.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the financial statements of the Target Group will be consolidated into the accounts of the Group.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The principal activity of the Company is investment holding. The Group is principally engaged in the trading and import and export of luxury goods. The operations of the Group are mainly based in Hong Kong, the PRC and Malaysia.

The Purchaser is a company incorporated in the BVI with limited liability on 23 October 2017 and is indirectly wholly-owned by the Company. The Purchaser is principally engaged in investment holding.

The film industry in the PRC has shown a rapidly growing trend over the past 5 years. According to the National Radio and Television Administration (the “NRTA”), the box office revenue in China reached approximately RMB55.9 billion in 2017 with a 5-year compounded annual growth rate of 34.5% between 2013 and 2017. For the first two months of 2018, the box office revenue in China exceeded RMB10 billion, representing a 36.14% year-on-year growth. Moreover, the cinema operator sector in the PRC, the lower stream of the film industry, also shows a blossoming growth. According to the NRTA, the number of cinema screens increased to approximately 50,800 in 2017 from 41,200 in 2016 by 23%. The easier cinemas accessibility in the PRC led by urbanisation of cities in the PRC helps the consistent growing trend of the film industry.

Furthermore, the regulatory environment enhances the confidence of the film production companies in the PRC. Effective from March 2017, the Film Industry Promotion Law in the PRC simplified the administrative processes to apply for film production in the PRC. This encourages the production of films in the PRC. According to the NRTA, the number of films produced in the PRC increased from 821 in 2016 to 970 in 2017.

The Directors are of the view that the Acquisition is an excellent opportunity for the Group to diversify its businesses into the rapidly growing film industry in the PRC. It also allows the Company to participate in a film portfolio of four with reasonable diversity in production profile ranging from pre-production, production to post-production. Two of the titles under the Acquisition namely “The Diary” and “Project X-traction” which are respectively in post-production and production stage, allow the Company’s capitalize on the efforts of the lead producers. As the remaining two titles would enable the Company to take a more substantive role in all stages of the film productions, this will give the Company more flexibility in planning for their respective revenue streams.

In building this new business segment, the Company also expects to leverage on the network and expertise of the Vendor on top of Mr. Qi Jian Hong, the Honorary Chairman of the Company, and Mr. Zhao Xiaodong, the Chief Operating Officer and executive Director of the Company, both of whom also have substantive experiences in the film industry in the PRC.

Based on the above, the Directors are of the view that the Acquisition are in the best interests of the Company and the Shareholders as a whole.

## EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 4,679,061,447 Shares in issue. Assuming there are no other changes to the issued share capital of the Company, the following table summarises the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately following the issue of all the Consideration Shares; and (iii) immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares:

	As at the date of this announcement		Immediately following the issue of all the Consideration Shares		Immediately following the Completion and assuming full conversion of the Convertible Bonds into Consideration Shares	
<b>Controlling Shareholder:</b>						
Mr. Qi Jian Hong alias Mr. Kei Kin Hung (Note 1)	2,628,236,630	56.17%	2,628,236,630	52.37%	2,628,236,630	47.62%
<b>Directors:</b>						
Mr. Zheng Hao Jiang	10,640,000	0.23%	10,640,000	0.21%	10,640,000	0.19%
Mr. Choy Sze Chung, Jojo	1,000,000	0.02%	1,000,000	0.02%	1,000,000	0.02%
Mr. Lee Thomas Kang Bor	1,680,000	0.04%	1,680,000	0.03%	1,680,000	0.03%
<b>Sub-total</b>	<b>13,320,000</b>	<b>0.29%</b>	<b>13,320,000</b>	<b>0.26%</b>	<b>13,320,000</b>	<b>0.24%</b>
Public	2,037,504,817	43.54%	2,037,504,817	40.60%	2,037,504,817	36.92%
Vendor	-	0.00%	340,000,000	6.77%	840,000,000	15.22%
<b>Total</b>	<b><u>4,679,061,447</u></b>	<b><u>100.00%</u></b>	<b><u>5,019,061,447</u></b>	<b><u>100.00%</u></b>	<b><u>5,519,061,447</u></b>	<b><u>100.00%</u></b>

Notes:

- (1) Among these 2,628,236,630 Shares, 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.

## IMPLICATIONS UNDER THE LISTING RULES

As some of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 5% but all the applicable percentage ratios are less than 25%, the Acquisition shall, when completed, constitute a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements only but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

**As the Completion is subject to the fulfilment and/or waiver of the conditions precedent set out in the SPA, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, unless the context requires, otherwise, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Sale Share as contemplated under the SPA;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Company”	Sparkle Roll Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 970)
“Completion”	completion of the Acquisition;
“connected person(s)”	has the same meaning as defined in the Listing Rules;
“Consideration”	Up to HK\$252,000,000, to be settled by the issuance of the Consideration Shares and Convertible Bonds (if applicable), being the maximum consideration for the Acquisition pursuant to SPA;
“Consideration Shares”	340,000,000 new Shares to be issued pursuant to the SPA for the purpose of settling the initial Consideration;
“Conversion Price”	the conversion price of HK\$0.3 per Conversion Share;

“Conversion Shares”	500,000,000 new Shares which may fall to be allotted and issued to the Vendor at the Conversion Price, credited as fully paid, upon full conversion of the Convertible Bonds by the Vendor for the purpose of settling the adjusted Consideration;
“Convertible Bonds”	the convertible bonds in the principal amount of up to HK\$150,000,000 to be issued by the Company pursuant to the SPA for the purpose of settling the adjusted portion of the Consideration when the Earn-out Adjustments are triggered;
“Director(s)”	the director(s) of the Company;
“Earn-out Adjustments”	the adjustment of the Consideration pursuant to the SPA, particulars of the same is set out under the section headed “The Acquisition-Earn-out Adjustments”;
“General Mandate”	the general mandate granted to the Board pursuant to the ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 31 August 2018, pursuant to which a maximum of 949,065,089 new Shares may be allotted and issued as at the date of this announcement;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	the Purchaser, the Vendor and the Target Company, being the parties to the SPA;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan);
“Purchaser”	Reliable Intelligence International Limited, a company incorporated in the BVI with limited liability and is an indirect wholly-owned subsidiary of the Company;

“Rights of Investments in the Movies”	collectively, the rights to investment contained in the underlying contracts entered into by the Target Group in respect of the rights to invest in the following movies that are expected to be/were directed or starred by Dr. Chan Kong Sang, Jackie (成龍):-  a. movie named “The Diary” – 30% of the right to invest;  b. movie named “Project X-traction” – 20% of the right to invest;  c. movie C – the conditional right to co-production; and  d. movie D – the conditional right to co-production;
“Sale Share”	1 issued fully paid up share of par value of US\$1.00 in the Target Company, representing the entire issued share capital of the Target Company;
“San Sparkle”	San Sparkle Pictures Industries Development Limited, a company incorporated in Hong Kong with limited liability on 16 July 2014 (company number: 2121273) and is wholly-owned by the Target Company;
“Share(s)”	the ordinary shares with nominal value of HK\$0.002 each in the share capital of the Company;
“Shareholders”	the shareholders of the Company;
“SPA”	the sale and purchase agreement dated 29 October 2018 and entered into amongst the Vendor, the Purchaser and the Target Company in relation to the Acquisition;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Cheer Summit Investment Limited, a company incorporated in the BVI with limited liability on 5 September 2018 and is wholly-owned by the Vendor;
“Target Group”	collectively, the Target Company and San Sparkle;
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission of Hong Kong from time to time;
“US\$”	United States dollars, the lawful currency of the United States;

“Vendor” or “Ms. Tam” Ms. Tam Cho Wai Josephine; and

“%” per cent.

By Order of the Board  
**Sparkle Roll Group Limited**  
**Zheng Hao Jiang**  
*Chairman*

Hong Kong, 29 October 2018

*As at the date of this announcement, the Company has three executive Directors, two non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, Mr. Zhu Lei and Mr. Zhao Xiaodong. The non-executive Directors are Mr. Gao Yu, Mr. Qi Jian Wei. 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*