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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)

**SUPPLEMENTAL ANNOUNCEMENT ON
THE DISCLOSEABLE TRANSACTION REGARDING
THE 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



Reference is made to the announcement (the “**Announcement**”) of Sparkle Roll Group Limited (the “**Company**”) dated 29 October 2018. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company would like to provide the following further information relating to the Acquisition to the Shareholders and potential investors of the Company.

Valuation of the Rights of Investments in the Movies

According to the Valuation Report, the valuation of the Rights of Investments in the Movies using the market approach in the sum of approximately HK\$251.7 million reflects only the total value of the investments rights of the movies named “The Diary” and “Project X-traction” with reference to average return of PRC box office receipts attributable to investors of comparable movies.

In addition to the exclusion of revenues of any kind from Movies C and D, the Valuation Report also has not accounted for other potential revenue of the movies named “The Diary” and “Project X-traction”, including box office receipts outside of the PRC and derivative income streams (such as implanted adverts, DVD sales, merchandising, etc.) attributable to the Target Group.

In this regard, the Directors and the Vendor have agreed that a mechanism in the form of earn-out is best to address the valuation gap between the initial Consideration of HK\$102,000,000 and the maximum Consideration of HK\$252,000,000 in the event that all the Earn-out Adjustments are triggered.

Earn-out Adjustments

The Company would also like to provide the following additional information in connection with the Earn-out Adjustments:

- (i) in arriving at the accumulated audited profit after tax of the Target Group within the three years ending 31 December 2021 for the purpose of calculating the Earn-out Adjustments from time to time, it is the intention of the Company (which intention reflects the consensus understanding between the Company and the Vendor) that the box office receipts in the PRC of the movies named “The Diary” and “Project X-traction” attributable to the Target Group (but not the revenues of any kind generated from Movies C and D or other potential revenue of the movies named “The Diary” and “Project X-traction”, including box office receipts outside of the PRC and derivative income streams (such as implanted adverts, DVD sales, merchandising, etc.) attributable to the Target Group) (the “**Purchased Return**”) will not be counted towards the accumulated audited profit after tax of the Target Group within the three years ending 31 December 2021; and
- (ii) to the extent that there is any accumulated audited profit after tax of the Target Group (taking no account of the Purchased Return), but it falls short of the First Target, the Company will make a 100% gain of the accumulated audited profit after tax of the Target Group *without* having to pay any additional consideration, and the same applies to anything earned in excess of the First Target, the Second Target or the Third Target (as the case may be).

Save as disclosed above, all other information in the Announcement remains unchanged.

By Order of the Board
Sparkle Roll Group Limited
Zheng Hao Jiang
Chairman and Chief Executive Officer

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 and 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*