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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)

**ISSUE OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE**

ISSUE OF CONVERTIBLE BONDS

The Board is pleased to announce that on 25 January 2021 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers, pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for, the Convertible Bonds with an aggregate principal amount of HK\$100,000,000 convertible into Shares at the initial Conversion Price of HK\$0.25 per Conversion Share (subject to adjustment).

Assuming the exercise in full of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price of HK\$0.25 per Conversion Share, a total of 400,000,000 Conversion Shares will be issued, representing approximately 7.82% of the existing issued share capital of the Company and approximately 7.26% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The estimated total net proceeds from the issue of the Convertible Bonds will be approximately HK\$99,850,000, of which approximately HK\$90 million is intended to be used for development of money lending business and the remaining for general working capital.

GENERAL

The Conversion Shares will be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 28 August 2020. Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

Completion of the Subscription is subject to fulfillment of the conditions precedent under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

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THE SUBSCRIPTION AGREEMENT

Date: 25 January 2021 (after trading hours)

Issuer: the Company

Subscribers:

- (i) Chen Tsz Suen (“Chen”)
- (ii) Agora International Trading Limited (“Agora”)
- (iii) Right Time Global Investment SPC (“Right Time”)

As at the date of this announcement, an associate of Right Time holds 23,400,000 Shares and Chen holds 4,944,000 Shares. Save and except as aforesaid, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, all the Subscribers and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Subscription

Subject to the fulfilment of the conditions precedent, the Company shall issue and the Subscribers shall subscribe for the Convertible Bonds with an aggregate principal amount of HK\$100,000,000. The aggregate subscription price of HK\$100,000,000 shall be payable by the Subscribers upon Completion. The respective subscription amounts of the Convertible Bonds by each Subscriber are set out below:–

Subscriber	Principal amount of the Convertible Bonds (HK\$)	Subscription Price (HK\$)
Chen	55,000,000	55,000,000
Agora	35,000,000	35,000,000
Right Time	10,000,000	10,000,000

Conditions Precedent

Completion of the Subscription is conditional upon:–

- (i) the representations and warranties of the Company contained in the Subscription Agreement shall have been true and correct in all material respects as of the date of the Subscription Agreement and shall be true and correct in all material respects as of the Completion Date;
- (ii) from the date of the Subscription Agreement up to and at the Completion Date, there shall not have occurred any change (nor any development or event involving a prospective change) which is materially adverse to the legal or financial conditions, operations or general affairs of the Company or the Group;

- (iii) the listing committee of the Stock Exchange having granted approval to the listing of, and the permission to deal in, the Conversion Shares; and
- (iv) the obtaining of all consent from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Subscription Agreement and any of the transaction contemplated thereunder.

If the conditions above are not fulfilled on or prior to 11 February 2021 (or such later date as may be agreed between the Subscribers and the Company), the obligations of the parties under the Subscription Agreement shall terminate and none of the parties to the Subscription Agreement shall have any claim against the other for any costs or losses save for any prior breach of the Subscription Agreement.

Completion

Completion of the Subscription shall take place on or before the seventh Business Day following the satisfaction of the above conditions or such later date as the Subscribers and the Company may agree.

Completion of the Subscription by each Subscriber of its respective principal amount of the Convertible Bonds shall not be inter-conditional with any other Subscribers. Subscribers may complete the Subscription at different time provided that each completion must take place on or before the seventh business day after the date on which all of the Conditions shall have been satisfied.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Principal amount	An aggregate principal amount of HK\$100,000,000
Issue Price	100% of the principal amount of the Convertible Bonds. The issue price was determined by the Company based on the face value of the Convertible Bonds
Form of the Convertible Bonds and Denomination	In registered form and in denomination of HK\$1,000,000 each or integral multiples thereof

Interest Rate	Zero coupon (no interest is payable on the principal amount of the Convertible Bonds)
Maturity Date	The third anniversary of the date of issue of the Convertible Bonds
Status	The Convertible Bonds, when issued, will constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded by mandatory provisions of applicable law
Conversion Shares	Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.25, an aggregate of 400,000,000 Conversion Shares will be allotted and issued pursuant to the Convertible Bonds Instrument. Such number of Conversion Shares represents approximately 7.82% of the issued share capital of the Company as at the date of this announcement and approximately 7.26% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares
Conversion Restrictions	The Convertible Bondholders shall have no right to exercise, and shall not exercise, any conversion rights if, as a result of such exercise, the Company will be in breach of the minimum public floating requirements under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules immediately after the relevant exercise of conversion rights
Conversion Price	HK\$0.25 per Conversion Share subject to adjustments as set out in the terms and conditions of the Convertible Bonds Instrument

Adjustments to the Conversion Price	The Conversion Price of the Convertible Bonds is subject to adjustments in certain events, including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and further issue of shares or convertible securities with conversion price less than the then market price provided that the Conversion Price shall not at any time fall below the par value of the Shares
Ranking of Conversion Shares	The Conversion Shares shall rank pari passu in all respects with all other existing Shares outstanding at the conversion date and all Conversion Shares shall have the right to participate in all dividends and other distributions the record date of which falls on or after the conversion date
Conversion period	The period commencing from the Issue Date up to the Maturity Date
Redemption	<p data-bbox="604 1016 935 1050"><i>Redemption at Maturity</i></p> <p data-bbox="604 1115 1441 1384">Unless previously converted or cancelled, the Company shall redeem all the outstanding Convertible Bonds on the Maturity Date at a redemption amount equivalent to 100% of the outstanding principal. Neither the Company nor the Convertible Bondholders shall have the right to early redeem the Convertible Bonds.</p>

Redemption on default

If any of the events of default set out in the Convertible Bonds Instrument occurs, the Convertible Bondholders holding 51% or more of the outstanding principal of the Convertible Bonds may by notice in writing to the Company declare that the redemption on default shall apply and then each of the Convertible Bondholders may, at its option, give a redemption notice in respect of all the Convertible Bonds held by it/him to the Company whereupon the outstanding principal amount of such Convertible Bonds shall become immediately due and payable at a redemption amount. Such events of default include (but are not limited to) (i) default of the Company to repay the principal of the Convertible Bonds or inability of the Company to pay its debts; (ii) material default of covenants or breach of warranties and undertakings under the Convertible Bonds Instrument; (iii) winding-up, dissolution or insolvency of the Company; (iv) a receiver is appointed of the whole or major part of the Company's assets; (v) an action, condition or thing fails to be taken to enable the Company to perform or comply with the obligations set out in the Convertible Bonds or (vi) the Company's Shares cease to be listed or are suspended from trading on stock exchange for a 30 consecutive trading days.

Listing

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Transferability of Convertible Bonds

Convertible Bonds shall be freely transferable.

The Conversion Price of HK\$0.25 per Conversion Share represents:

- (i) a premium of approximately 7.30% over the closing price of HK\$0.2330 per Share as quoted on the Stock Exchange on the date of this announcement; and
- (ii) a premium of approximately 8.04% over the average closing price of approximately HK\$0.2314 per Share for the last five consecutive trading days immediately prior to the date of the Subscription Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscribers with reference to the prevailing market conditions and market price of the Shares.

INFORMATION OF THE COMPANY

The Group is principally engaged in dealerships of luxury goods and automobiles and provision of after-sales services, property management services, property rental services and film related business including development and investment in films. The Group's operations are mainly based in Hong Kong and Mainland China.

INFORMATION OF THE SUBSCRIBERS

(i) Chen

Chen is a businesswoman principally engaged in luxury homeware trading and she is also an experienced professional investor in securities market.

(ii) Agora

Agora, a company incorporated and registered under the laws of Hong Kong, is an investment holding company and is beneficially owned by Ms. Lo Shing Choi, Venus.

(iii) Right Time

Right Time is an open-ended mutual fund registered with the Cayman Islands Monetary Authority. Right Time is incorporated in the Cayman Islands as an exempted company limited by shares and registered as a segregated portfolio company. With a typical structure common to segregated portfolio companies in the Cayman Islands, Right Time has two classes of shares in issue, namely, voting non-participating shares and non-voting participating shares. All the voting non-participating shares of Right Time are owned by its manager, Right Time Asset Management Company Limited (時和資產管理有限公司) (the “Manager”). The non-voting participating shares of Right Time are owned by investors of the mutual fund which comprise primarily of sophisticated individuals and institutional investors.

The Manager is a private company limited by shares incorporated in Hong Kong and is licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF ISSUE OF CONVERTIBLE BONDS

The Board considers that the issue of the Convertible Bonds is an appropriate means of fund raising for the Company since the Convertible Bonds are interest free up till the Maturity Date. Should any Convertible Bondholders exercise the conversion right, it will enlarge the Company’s capital base and strengthen its financial position for future business development.

The gross proceeds from the issue of Convertible Bonds will be HK\$100,000,000. The net proceeds from the issue of Convertible Bonds, after the deduction of related expenses, are estimated to be approximately HK\$99,850,000.

The net proceeds of the issue of the Convertible Bonds will be approximately HK\$99,850,000, of which approximately HK\$90 million is intended to be used for development of money lending business and the remaining for general working capital.

The Directors consider the terms of the Subscription Agreement and the Convertible Bonds are negotiated at arm’s length basis and on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST 12 MONTHS

On 4 June 2020, the Company entered into a subscription agreement under which the Company agreed to allot and issue a total of 318,500,000 new Shares to an independent third party at a price of HK\$0.157 per Share under general mandate. The allotment and issue of the 318,500,000 new Shares was completed on 15 June 2020 and raised net proceeds of approximately HK\$50 million which had been fully used for the subscription of rights shares of Bang & Olufsen A/S in June 2020.

On 2 July 2020, the Company entered into another subscription agreement with an independent third party under which the Company agreed to allot and issue 674,000,000 new Shares at a price of HK\$0.2 per Share. This subscription agreement was subsequently terminated by the parties on 25 September 2020.

Save as disclosed above, the Company had not conducted any other fund raising activities in the past twelve immediately preceding the date of this announcement.

EFFECT ON THE SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement, and (ii) assuming full exercise of the conversion rights attached to the Convertible Bonds at the initial Conversion Price of HK\$0.25 per Conversion Share (assuming that no other Shares being issued) is as follows:

Shareholders	As at the date of this announcement		Immediately after the full conversion of the Convertible Bonds	
	No. of Shares	% (approx.)	No. of Shares	% (approx.)
Substantial Shareholders				
Mr. Kei Kin Hung (“Mr. Kei”)	890,152,000	17.41	890,152,000	16.15
	<i>(Notes 1 and 2)</i>			
Mr. Sze Ching Lau	400,000,000	7.82	400,000,000	7.26
Mr. Lam Chi Kin	354,720,000	6.94	354,720,000	6.43
Ms. Tam Cho Wai, Josephine	340,000,000	6.65	340,000,000	6.17
Mr. Qiu Peiyuan	318,500,000	6.23	318,500,000	5.78
	<i>(Note 3)</i>			

Shareholders	As at the date of this announcement		Immediately after the full conversion of the Convertible Bonds	
	No. of Shares	% (approx.)	No. of Shares	% (approx.)
Directors				
Mr. Zheng Hao Jiang	10,640,000 (Note 4)	0.21	10,640,000	0.19
Mr. Choy Sze Chung, Jojo	1,000,000	0.02	1,000,000	0.02
Mr. Lee Thomas Kang Bor	1,680,000	0.03	1,680,000	0.03
Sub-total:	2,316,692,000	45.31	2,316,692,000	42.03
The Subscribers and their associates	28,344,000	0.55	428,344,000	7.77
Other public Shareholders	2,766,917,447	54.14	2,766,917,447	50.20
Total	5,111,953,447	100.00	5,511,953,447	100.00

Notes:

1. Among these 890,152,000 Shares, (i) 639,608,000 Shares are held by Sparkle Roll Holdings Limited which is wholly-owned by Mr. Kei; and (ii) 250,544,000 Shares are held by Mr. Kei as beneficial owner. Mr. Kei is deemed to be interested in the Shares held by Sparkle Roll Holdings Limited. Ms. Zhu Shuang is the wife of Mr. Kei. Accordingly, Ms. Zhu Shuang was deemed to be interested in the Shares interested by Mr. Kei.
2. Among these 639,608,000 Shares, 339,608,000 Shares have been charged to CS Credit Limited as security interest. CS Credit Limited is 100% controlled by China Strategic Holdings Limited. Accordingly, China Strategic Holdings Limited is deemed to be interested in all the Shares in which CS Credit Limited is interested.
3. 318,500,000 Shares are held by Pro Honor Investment Limited which is wholly-owned by Mr. Qiu Peiyuan. Accordingly, Mr. Qiu Peiyuan was deemed to be interested in the Shares held by Pro Honor Investment Limited.
4. These 10,640,000 Shares are held by Keyking Mission Group Co., Ltd, a company wholly owned by Mr. Zheng. Accordingly, Mr. Zheng is deemed to be interested in the Shares held by Keyking Mission Group Co., Ltd.

GENERAL MANDATE

The Conversion Shares will be allotted and issued pursuant to the General Mandate. By a resolution of the Shareholders passed at the annual general meeting held on 28 August 2020, the Company granted the General Mandate to the Directors to allot, issue and deal with up to 20% of the total number of issued Shares as at the date of the annual general meeting, being 1,022,390,689 Shares. At the date of this announcement, no Shares have been issued under the General Mandate.

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

Completion of the Subscription is subject to fulfillment of the conditions precedent under the Subscription Agreement. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

Unless otherwise stated, the terms in this announcement have the following meanings:

“associate(s)”	has the meaning ascribed thereto it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day (excluding Saturday, Sunday and public holiday) on which banks generally in Hong Kong are open for business;
“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”	the completion of the Subscription;
“Completion Date”	The date of Completion;

“connected person(s)”	has the meaning ascribed thereto it under the Listing Rules;
“Convertible Bonds “	unsecured zero coupon convertible bonds of an aggregate principal amount of HK\$100,000,000 constituted by the Convertible Bonds Instrument to be issued by the Company in accordance with the Subscription Agreement;
“Convertible Bondholder(s)”	any person(s) who is/are for the time being the registered holder(s) of the Convertible Bond(s);
“Convertible Bonds Instrument”	the instrument constituting the Convertible Bonds;
“Conversion Price”	HK\$0.25 per Conversion Share, subject to adjustment;
“Conversion Share(s)”	the Share(s) to be issued by the Company upon conversion of the Convertible Bonds;
“Directors”	directors of the Company from time to time;
“General Mandate”	the existing general mandate granted by the Shareholders to the Directors of the Company at the annual general meeting of the Company held on 28 August 2020 to allot and issue Shares not exceeding 20% of the number of Shares in issue as at 28 August 2020;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issue Date”	the date of issue of the Convertible Bonds;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maturity Date”	The third anniversary of the Issue Date or, if that is not a Business Day, the first Business Day thereafter;
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company;

“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber(s)”	(i) Chen Tsz Suen; (ii) Agora International Trading Limited; and (iii) Right Time Global Investment SPC
“Subscription”	the subscription of the Convertible Bonds by the Subscribers in accordance with the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 25 January 2021 entered into between the Company and the Subscribers in relation to the Subscription;
“subsidiaries”	has the meaning ascribed thereto it under the Listing Rules;
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers; and
“%”	per cent.

By order of the Board
Sparkle Roll Group Limited
Zheng Hao Jiang
Co-Chairman

Hong Kong, 25 January 2021

As at the date of this announcement, the Company has four executive Directors, one non-executive Director and six independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, Mr. Ma Chao, Mr. Zhao Xiaodong and Mr. Zhu Lei. The non-executive Director is Mr. Qi Jian Wei. The independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Gao Yu, Mr. Lam Kwok Cheong, Mr. Lee Thomas Kang Bor, Mr. Liu Hongqiang and Mr. Liu Xiaoyi.

* *for identification purpose only*