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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)

CONTINUING CONNECTED TRANSACTIONS
LEASE OF PROPERTIES IN BEIJING, THE PRC

Financial adviser to the Company

AmCap

Ample Capital Limited

豐盛融資有限公司

On 26 June 2013, members of the Group (as lessee) and Mr. Qi (as lessor) entered into the New Agreements in respect of the leasing of certain properties to facilitate the operations of the Group's luxury goods distributorship business in Beijing, the PRC.

Mr. Qi is a substantial Shareholder interested in (directly and indirectly) 848,400,000 Shares, representing approximately 28.47% of the Company's issued share capital. Accordingly, Mr. Qi is a connected person of the Company. Based on the maximum annual amount of all continuing connected transactions with Mr. Qi (which are of a similar nature) as set out in the section headed "Summary of continuing connected transactions with Mr. Qi" in this announcement, the applicable percentage ratios are more than 0.1% but less than 5%. Accordingly, the transactions contemplated under the New Agreements constitute continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from independent shareholders' approval requirements pursuant to Rule 14A.34(1) of the Listing Rules.

* *for identification purpose only*

Pursuant to Rule 14A.35(1) of the Listing Rules, except in special circumstances where the nature of the transaction requires the contract to be of a longer duration, the term for the Beijing Leasing Agreement (V) and Beijing Leasing Agreement (VI) must not exceed three years. As the duration of each of the leases under the Beijing Leasing Agreement (V) and Beijing Leasing Agreement (VI) exceeds three years, the Company has appointed Vinco Capital as its independent financial adviser to explain why a longer period is required and to confirm that it is normal business practice for contracts of this type to be of such duration.

INTRODUCTION

On 26 June 2013, members of the Group (as lessee) and Mr. Qi (as lessor) entered into the New Agreements in respect of the leasing of certain properties to facilitate the operations of the Group's luxury goods distributorship business in Beijing, the PRC.

As disclosed in the Previous Announcement, the Group has previously entered into similar continuing connected transactions with Mr. Qi. On 30 June 2011, the Group had entered into the Beijing Leasing Agreements, the Tianjin Leasing Agreements and the Supplemental Agreement with Mr. Qi in respect of leasing of properties in Beijing and Tianjin, the PRC. Please refer to the Previous Announcement for further details of the Beijing Leasing Agreements, the Tianjin Leasing Agreements and the Supplemental Agreement.

THE NEW AGREEMENTS

Amended Beijing Leasing Agreement (I)

As stated in the Previous Announcement, SRXTD, an indirect wholly-owned subsidiary of the Company, entered into the Beijing Leasing Agreement (I) with Mr. Qi in respect of portions of Basement Level 1 of Tower A (with area of 750 sq.m.) (the “**Retained Portion**”) and portions of Basement Level 1 of Tower B (with area of 1,400 sq.m.) (the “**Surrendered Portion**”) of the Beijing Property with a total area of 2,150 sq.m.. The entire space covered under the Beijing Leasing Agreement (I) has been subsequently subleased by SRXTD to SRRND, an indirect wholly-owned subsidiary of the Company which constituted an intra-group transaction. To better align the current needs of the Group, SRRND, SRXTD and Mr. Qi have entered into the Amended Beijing Leasing Agreement (I) on 26 June 2013 under which the Surrendered Portion will be surrendered to Mr. Qi (with no liability on the part of SRRND and

SRXTD) with effect on 1 July 2013. The lease in respect of the Retained Portion will continue under the same terms save for rental reduction on account of the partial surrender. Lease term of the Retained Portion is summarized below.

Original lessee:	SRXTD, an indirect wholly-owned subsidiary of the Company
Sub-lessee:	SRRND, an indirect wholly-owned subsidiary of the Company
Lessor:	Mr. Qi, a connected person of the Company
Premises:	Portions of Basement Level 1 of Tower A of the Beijing Property
Leased area:	750 sq.m.
Permitted usage:	Warehouse for exhibition purposes
Monthly rental:	RMB200,000 (equivalent to approximately HK\$254,000)
Term:	Ten years commenced on 1 July 2011 and expiring on 30 June 2021
Rental deposit:	Three months' rental

The rental payable in respect of the Retained Portion pursuant to the Amended Beijing Leasing Agreement (I) is determined with reference to the prevailing market conditions and rental levels of similar properties in the vicinity which is supported by a valuation report prepared by an independent valuer. The per units rents under the Amended Beijing Leasing Agreement (I) and the Beijing Leasing Agreement (I) are substantially the same.

Beijing Leasing Agreement (V)

Date:	26 June 2013
Lessee:	SRRND
Lessor:	Mr. Qi
Premises:	Portions of Levels 1 and 2 of Tower B of the Beijing Property
Leased area:	1,429.2 sq.m.
Permitted use:	Showroom for luxury automobiles, etc.
Monthly rental:	RMB1,100,000 (equivalent to approximately HK\$1,397,000)
Term:	Ten years commencing on 1 July 2013 and expiring on 30 June 2023
Rental deposit:	Three months' rental
Other:	The lessee can terminate the lease by giving 3 months' prior notice without any payment of compensation

The rental payable under the Beijing Leasing Agreement (V) is determined with reference to the prevailing market conditions and the rental levels of similar properties in the vicinity of the Beijing Property which is supported by a valuation report prepared by an independent valuer. There is no provision in the Beijing Leasing Agreement (V) for adjustment in the monthly rental during the lease period and the rental would remain the same throughout the whole term of the Beijing Leasing Agreement (V).

Beijing Leasing Agreement (VI)

Date:	26 June 2013
Lessee:	SRRND
Lessor:	Mr. Qi
Premises:	Portions of Level 3 of Tower B of the Beijing Property
Leased area:	840 sq.m.
Permitted use:	Office, etc.
Monthly rental:	RMB280,000 (equivalent to approximately HK\$355,600)
Term:	Ten years commencing on 1 July 2013 and expiring on 30 June 2023
Rental deposit:	Three months' rental
Other:	The lessee can terminate the lease by giving 3 months' prior notice without any payment of compensation

The rental payable under the Beijing Leasing Agreement (VI) is determined with reference to the prevailing market conditions and the rental levels of similar properties in the vicinity of the Beijing Property which is supported by a valuation report prepared by an independent valuer. There is no provision in the Beijing Leasing Agreement (VI) for adjustment in the monthly rental during the lease period and the rental would remain the same throughout the whole term of the Beijing Leasing Agreement (VI).

Annual Caps

The Annual Caps for the transactions contemplated under the New Agreements pursuant to Rule 14A.35(2), which is based on the aggregate rental payable to Mr. Qi under the New Agreements as set out in the section headed “Summary of continuing connected transactions with Mr. Qi” in this announcement, is set out below:

	For the year ending 31 March 2014 <i>RMB'000</i>	For each of the 7 years ending 31 March 2021 <i>RMB'000</i>	For the year ending 31 March 2022 <i>RMB'000</i>	For the year ending 31 March 2023 <i>RMB'000</i>	For the year ending 31 March 2024 <i>RMB'000</i>
Annual Caps	<u>14,220</u>	<u>18,960</u>	<u>17,160</u>	<u>16,560</u>	<u>4,140</u>
Equivalent to HK\$'000	<u>18,059</u>	<u>24,079</u>	<u>21,793</u>	<u>21,031</u>	<u>5,258</u>

INFORMATION ON THE GROUP

The Group is principally engaged in trading of luxury automobiles, watches and jewellery in the PRC and trading of fine wines in the PRC, Hong Kong and Macau.

REASONS FOR AND BENEFITS OF THE NEW AGREEMENTS

As disclosed in the Previous Announcement, the Group has already established a presence at the Beijing Property with various showrooms, office, warehouse, etc. for its luxury goods distributorship business. At present, the showrooms at the Beijing Property are used in connection with Bentley automobiles and other luxury goods such as wine, watches and jewellery. The relocation of the Group's Rolls Royce and Lamborghini showrooms to the Beijing Property pursuant to the New Agreements would allow the Group to consolidate all of its automobile showrooms in Beijing, the PRC into one centralized location which is next to the Group's PRC headquarters at the Beijing Sparkle Roll Luxury World. The Directors consider that such centralization will create a synergy effect and enable cross-selling opportunities across the broad spectrum of other luxury goods sold by the Group. Furthermore, it is expected that the centralization of the Group's Beijing operations into one location would allow the Group's management to manage and/or monitor the operations of the Group's business more effectively and efficiently.

The Group has the following plan for the premises covered under the New Agreements.

Section of the Beijing Property	Usage
Basement Level 1 of Tower A	Warehouse for exhibition purposes.
Level 1 of Tower B	The Group will set up showrooms for its Rolls Royce and Lamborghini dealerships with an area of approximately 881 sq.m. and 195.2 sq.m. respectively.
Level 2 of Tower B	The Group will set up showroom for its Lamborghini dealership with an area of approximately 353 sq.m..
Level 3 of Tower B	Additional office space for administrative and management personnel of the new showrooms.

The Group currently intends to invest approximately RMB20 million (equivalent to approximately HK\$25.4 million) in connection with the new premises under the Beijing Leasing Agreement (V) and the Beijing Leasing Agreement (VI). In view of the above, the Directors believe that a lease term of ten years is a reasonable period for the Group to recoup its substantial investment costs, in particular, the allocation of the depreciation and amortization charges over a more practical duration.

Furthermore, the payment of a fixed monthly rental throughout the whole term of each of the New Agreements would benefit the Group by shielding it from the risks of hefty increase in rent upon the frequent expiry of leases that are of a shorter duration than ten years.

As a lease term of ten years under the Beijing Leasing Agreement (V) and the Beijing Leasing Agreement (VI) is similar to three other lease agreements entered into by indirect wholly-owned subsidiaries of the Company with independent third parties in Beijing and Tianjin, the Beijing Leasing Agreement (V) and the Beijing Leasing Agreement (VI) are entered into the ordinary and usual course of business of the Company.

The terms of the New Agreements were arrived at after arm's length negotiation between the parties thereto. The Directors (including all of the independent non-executive Directors but excluding Mr. Qi Jian Wei, a non-executive Directors who is a brother of Mr. Qi) consider that the terms of the New Agreements are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS WITH MR. QI

Set out below is a summary of the amounts payable to Mr. Qi under various continuing connected transactions between the Group and Mr. Qi as disclosed herein and in the Previous Announcement.

Payable pursuant to	For the	For each of	For the	For the	For the	For the
	year ending	the 6 years	year ending	year ending	year ending	year ending
	31 March	ending	31 March	31 March	31 March	31 March
	2014	31 March	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>As disclosed in this announcement</i>						
Amended Beijing Leasing Agreement (I)	1,800	2,400	2,400	600	–	–
Beijing Leasing Agreement (V)	9,900	13,200	13,200	13,200	13,200	3,300
Beijing Leasing Agreement (VI)	2,520	3,360	3,360	3,360	3,360	840
Sub-total	14,220	18,960	18,960	17,160	16,560	4,140
<i>As disclosed in the Previous Announcement²</i>						
Beijing Leasing Agreements ¹	30,870	29,160	29,160	7,290	–	–
Tianjin Leasing Agreements	6,840	6,840	6,840	1,710	–	–
Supplemental Agreement	2,640	2,640	1,980	–	–	–
Sub-total	40,350	38,640	37,980	9,000	–	–
Total	<u>54,570</u>	<u>57,600</u>	<u>56,940</u>	<u>26,160</u>	<u>16,560</u>	<u>4,140</u>
Equivalent to HK\$'000	<u>69,304</u>	<u>73,152</u>	<u>72,314</u>	<u>33,223</u>	<u>21,031</u>	<u>5,258</u>

Notes:

1. For the year ending 31 March 2014, the original Beijing Leasing Agreement (I) only had an effect for the months of April, May and June 2013 after which it will be replaced by the Amended Beijing Leasing Agreement (I).
2. The RMO Agreement as described in the Previous Announcement has been terminated on 30 September 2012.

Saved as disclosed above, there are no other continuing connected transactions between the Group and Mr. Qi and/or his associates.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Qi is a substantial Shareholder interested in (directly and indirectly) 848,400,000 Shares, representing approximately 28.47% of the Company's issued share capital. Accordingly, Mr. Qi is a connected person of the Company. Based on the maximum annual amount of all continuing connected transactions with Mr. Qi (which are of a similar nature) as set out in the section headed "Summary of continuing connected transactions with Mr. Qi" in this announcement, the applicable percentage ratios are more than 0.1% but less than 5%. Accordingly, the transactions contemplated under the New Agreements constitute continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from independent shareholders' approval requirements pursuant to Rule 14A.34(1) of the Listing Rules.

Pursuant to Rule 14A.35(1) of the Listing Rules, except in special circumstances where the nature of the transaction requires the contract to be of a longer duration, the term for the Beijing Leasing Agreement (V) and Beijing Leasing Agreement (VI) must not exceed three years. As the duration of each of the leases under the Beijing Leasing Agreement (V) and Beijing Leasing Agreement (VI) exceeds three years, the Company has appointed Vinco Capital as its independent financial adviser to explain why a longer period is required and to confirm that it is normal business practice for contracts of this type to be of such duration.

Mr. Qi Jian Wei, a non-executive Director and a brother of Mr. Qi, is deemed to have a material interest in the New Agreements and has accordingly abstained from voting on the relevant resolution of the Board in relation to the New Agreements. Save for the above, none of the Directors have a material interest in the New Agreements and accordingly, none of the Directors is required to abstain from voting on the relevant resolution of the Board in relation to the New Agreements.

OPINION FROM VINCO CAPITAL

In arriving at its opinion, Vinco Capital has relied on the information set out in this announcement and the New Agreements. Pursuant to the Amended Beijing Leasing Agreement (I), the Surrendered Portion will be surrendered to Mr. Qi (with no liability on the part of SRRND and SRXTD) with effect on 1 July 2013. Save for rental reduction on account of the partial surrender, the lease in respect of the Retained Portion will continue under the same terms including the remaining duration of the lease in accordance with the Beijing Leasing Agreement (I). The rationale of its duration of longer than 3 years, which is considered to be reasonable business practice as to the Company, has been disclosed in the Previous Announcement.

In considering whether it is normal business practice for agreements of a similar nature to the Beijing Leasing Agreement (V) and the Beijing Leasing Agreement (VI) (collectively, the “**New Lease Agreements**”) to have a term of 10 years, Vinco Capital has discussed with the Company the rationale for entering into the New Lease Agreements with a term of 10 years and has been told by the Company that it will made a sizable investment in relocating and setting up the Rolls Royce and Lamborghini showrooms and ancillary offices.

In addition, Vinco Capital has, on a best effort basis, searched for comparable transactions involving the leasing of properties for automobile sales and ancillary purposes available on public domain. Upon the findings from the research, Vinco Capital noted that there are a number of lease agreements of a company, listed on the Stock Exchange and principally engaging in the business of automobile dealership, entered with independent third parties and having terms range from 10 years to 30 years in relation to the showrooms for automobile sales, office premises and ancillary purposes in the PRC. Accordingly, the duration of the New Lease Agreements falls within the range of the tenure of the comparable transactions.

On the basis of the above and having considered: (i) a long lease term will be necessary for the Company to recoup its substantial investment on those showrooms which is non-transferable/immovable in nature; (ii) any unnecessary disruption to the business operations of the Company and relocation costs can be avoided; (iii) it can demonstrate to 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; (iv) the New Lease Agreements can be unilaterally terminated by the Company at any time by giving not less than three months’ prior notice in case of any unfavourable situation; and (v) the future rental expenses under the New Lease Agreements can also be locked-in and the risk of any unexpected rises in future rental expenses can thus be eliminated, Vinco Capital considers that it is normal business practice for contracts of the same type as the New Lease Agreements to be of such duration and is also of the view that a longer duration is preferred and beneficial to the Company and Shareholders as a whole.

DEFINITIONS

“Amended Beijing Leasing Agreement (I)”	the supplemental agreement to the Beijing Leasing Agreement (I) dated 26 June 2013 in relation to portions of Basement Level 1 of Tower A of the Beijing Property entered into between SRXTD as original lessee, SRRND as sub-lessee and Mr. Qi as lessor
“Annual Caps”	the maximum aggregate annual amounts for the continuing connected transactions contemplated under the New Agreements for the duration of these transactions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Leasing Agreement (I)”	has the meaning as defined in the Previous Announcement
“Beijing Leasing Agreement (V)”	the lease agreement dated 26 June 2013 in relation to portions of Levels 1 and 2 of Tower B of the Beijing Property entered into between SRRND as lessee and Mr. Qi as lessor
“Beijing Leasing Agreement (VI)”	the lease agreement dated 26 June 2013 in relation to portions of Level 3 of Tower B of the Beijing Property entered into between SRRND as lessee and Mr. Qi as lessor
“Beijing Leasing Agreements”	has the meaning as defined in the Previous Announcement
“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

“Company”	Sparkle Roll Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Qi”	Mr. Qi Jian Hong (蔡建虹) alias Mr. Kei Kin Hung, a substantial Shareholder interested in (directly and indirectly) 848,400,000 Shares, representing approximately 28.47% of the Company’s issued share capital, and a connected person of the Company
“New Agreements”	collectively, (i) the Amended Beijing Leasing Agreement (I); (ii) the Beijing Leasing Agreement (V); and (iii) the Beijing Leasing Agreement (VI)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Previous Announcement”	the Company’s announcement dated 30 June 2011 in relation to (i) the Beijing Leasing Agreements; (ii) the Tianjin Leasing Agreements; and (iii) Supplemental Agreement

“RMO Agreement”	has the meaning as defined in the Previous Announcement
“Share(s)”	share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“SRRND”	Sparkle Roll Retail Net Development Limited (耀萊零售網絡發展有限公司), a company incorporated in the Federal Territory of Labuan, Malaysia with limited liability and an indirect wholly-owned subsidiary of the Company
“SRXTD”	北京耀萊新天地商業發展有限公司 (Sparkle Roll Xin Tian Di Commerce Development Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	has the meaning as defined in the Previous Announcement
“Tianjin Leasing Agreements”	has the meaning as defined in the Previous Announcement
“Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340) and a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to opine on the duration of the Beijing Leasing Agreement (V) and Beijing Leasing Agreement (VI)

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“%”	per cent
“sq.m.”	square metres

By order of the Board
Sparkle Roll Group Limited
Tong Kai Lap
Chairman

Hong Kong, 26 June 2013

As at the date of this announcement, the Company has three executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors are Mr. Tong Kai Lap, Mr. Zheng Hao Jiang and Mr. Zhao Xiao Dong. The non-executive Directors are Mr. Zhang Si Jian, 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.

In this announcement, RMB has been converted to HK\$ at the rate of approximately RMB1 = HK\$1.27 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been, or could be converted at the above rate or at any other rates or at all.