SPARKLE ROLL GROUP LIMITED
耀萊集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 970)

PROFIT WARNING AND UPDATE ON THE AUDIT QUALIFICATION AND LITIGATIONS

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

Profit Warning

The Board wishes to inform the Shareholders and potential investors that based on the preliminary assessment of the unaudited consolidated management accounts of the Group and the financial information currently available, the Group is expected to record a substantial decrease in the net profit for the six months ended 30 September 2017 as compared with a net profit of approximately HK$34.1 million for the corresponding period last year.

Update on audit qualification

The management of the Company is still considering viable means to remove such audit qualification in the Company's future annual financial statements.

Litigation Updates

Tianjin Xin Chang Tai Fu Trading Development Limited* (天津信昌泰富貿易發展有限公司), an indirect wholly-owned subsidiary of the Company, has recently attended an appeal hearing and an adjourned appeal hearing on 2 and 9 November 2017, respectively, relating to the First Litigation. As at the date of this announcement, the adjourned appeal hearing is still in progress. As regards TJXC's appeals against the judgments on the Second and Third Litigations, the appeal hearings have not commenced. Based on the legal opinion obtained from the Group's PRC legal advisers, the Group has been advised to make a provision of approximately RMB12.3 million in aggregate for the possible liquidated damages for the three litigations.

Shareholders and potential investors are advised to exercise extreme caution when dealing in the shares of the Company.

1. PROFIT WARNING

This announcement is made by Sparkle Roll Group Limited (the "**Company**" together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "**SFO**").

Based on the preliminary assessment of the unaudited management accounts of the Group and the financial information currently available, the board of directors of the Company (the "**Board**") wishes to inform the shareholders of the Company (the "**Shareholders**") and potential investors that, despite the Group is expected to record an increase in the revenue and gross profit of approximately 4.3% and 14.9%, respectively, for the six months ended 30 September 2017 as compared to the six months ended 30 September 2016, the Group is expected to record a substantial decrease in the net profit for the six months ended 30 September 2017 as compared to a net profit of approximately HK$34.1 million for the corresponding period last year.

Such expected substantial decrease in the net profit was mainly as a result of (i) the sharing of the loss of an associate by the Group of approximately HK$23.4 million (which was non-cash in nature); and (ii) the making of the provision for possible liquidated damages which the Group may be required to pay under the First, Second and Third Litigations (as defined below) of approximately RMB12.3 million in aggregate, equivalent to approximately HK$14.5 million. For further details of the provision for litigation costs, please refer to the paragraph headed "Litigations Updates" below.

The information contained in this announcement is only based on a preliminary assessment by the Board on the information currently available to it, including the unaudited consolidated management accounts of the Group for the six months ended 30 September 2017 which have not yet been reviewed by the Company's auditors. The Company is still in the course of preparing and finalizing its interim financial results for the six months ended 30 September 2017 which is scheduled to be announced on 30 November 2017.

2. UPDATE ON THE AUDIT QUALIFICATION

In addition, references are made to (i) an announcement of the Company dated 4 May 2017 in respect of the modification to the audit opinion; and (ii) the audited financial statements of the Company for the year ended 31 March 2017 in which our auditors expressed a qualified opinion that they were unable to obtain sufficient audit evidence to ascertain whether the carrying amount of the Group's investment in Bang and Olufsen ("B&O"), an associate of the Group and the Group's share of B&O's results for the year as included in the Group's consolidated financial statements as at and for the year ended 31 March 2017 were fairly stated.

The Board recognised the importance of removing such audit qualification and the management of the Company is still considering viable means to remove such audit qualification in the Company's future annual financial statements.

3. LITIGATIONS UPDATES

References are made to the Company's announcement dated 3 October 2017 in relation to the first litigation against TJXC (the "**First Litigation**") and 12 October 2017 in relation to the second and third litigation against TJXC (the "**Second and Third Litigations**") (collectively, the "**Announcements**"). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

An appeal hearing and an adjourned appeal hearing on the First Litigation were held on 2 November 2017 and 9 November 2017, respectively. The Group had provided new evidence in relation to the First Litigation to the First Intermediate People's Court of Tianjin City* (天津市第一中級人民法院). As at the date of this announcement, the adjourned appeal hearing is still in progress. As regards TJXC's appeal against the judgments on the Second and Third Litigations, the appeal hearings have not commenced. Based on the legal opinion obtained from the Group's PRC legal adviser, the Group has been advised to make a provision of approximately RMB12.3 million in aggregate for the possible liquidated damages for the First, Second and Third Litigations. The Company will make further announcement(s) to inform its Shareholders and potential investors of development of the three cases as and when appropriate.

Shareholders and potential investors are advised to exercise extreme caution when dealing in the shares of the Company.

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

Hong Kong, 17 November 2017

Exchange rate applied: HKD1 = RMB$0.85

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. Zhu Lei. 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.

* *for identification purpose only*