SPARKLE ROLL GROUP LIMITED
耀萊集團有限公司*

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

CHANGE IN ACCOUNTING TREATMENT AS A RESULT OF LOSS OF SIGNIFICANT INFLUENCE OVER INVESTMENT IN AN ASSOCIATE AND POSITIVE PROFIT ALERT

In accordance with Hong Kong Accounting Standard 28, as a result of the loss of significant influence over B&O due to the change of circumstances including the Resignation, the Company will re-classify its investment in B&O as available-for-sale investment. Subject to the audit of the financial statements of the Group for the year ending 31 March 2018, the current auditors of the Company noted and concurred that such accounting treatment is consistent with the Company's accounting policies which comply with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Due to the change in accounting treatment on the Group's investment in B&O as a result of loss of significant influence over B&O, it is expected that such change will lead to an increase of approximately HK$580,000,000 (which is non-cash in nature) in the consolidated net profit of the Group for the year ending 31 March 2018.

The Board wishes to inform the shareholders of the Company and potential investors that based on the preliminary assessment of the latest unaudited management accounts of the Group for the 8 months ended 30 November 2017, the financial information currently available to the Board and the aforesaid one-off gain of approximately HK$580,000,000 (which is non-cash in nature), it is expected that the net profit of the Group for the year ending 31 March 2018 will increase significantly as compared with a net profit of approximately HK$89.8 million for the year ended 31 March 2017.

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

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 (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "**SFO**").

Reference is made to (i) the announcements of the Company dated 20 October 2016, 13 December 2016, and 16 December 2016 and the circular dated 24 November 2016 in relation to, among others, the acquisition of approximately 15.09% of the total issued shares of Bang & Olufsen A/S ("**B&O**"), a company whose shares are listed and traded on Nasdaq Copenhagen; (ii) the announcements of the Company dated 4 May 2017 and 17 November 2017 and the annual report and the audited consolidated financial statements of the Company for the year ended 31 March 2017 in relation to the audit qualification as mentioned in the paragraph below; and (iii) the announcement of the Company dated 28 December 2017 in relation to, among others, the resignation (the "**Resignation**") of Mr. Tong Kai Lap as the chairman and executive director of the Company, who also held the position of director and member of the audit committee of B&O.

As stated in the audited consolidated financial statements of the Company for the year ended 31 March 2017, B&O was regarded as the Group's associate and the Group had applied the equity method to account for its investment in B&O. The then auditors of the Company expressed a qualified opinion to the audited consolidated financial statements of the Company for the year ended 31 March 2017 as they were unable to obtain sufficient audit evidence to ascertain whether the carrying amount of the Group's investment in B&O 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 of directors of the Company (the "**Board**") would like to announce that in accordance with Hong Kong Accounting Standard 28, as a result of the loss of significant influence over B&O due to the change of circumstances including the Resignation, the consequential loss of representation by the Group in the board of directors of B&O and that the Group has no intention to recommend any person to the board of directors and senior management of B&O, B&O ceased to be an associate of the Group and thus the Group discontinued the use of the equity method on its investment in B&O, which would be accounted for as available-for-sale investment.

Subject to the audit of the financial statements of the Group for the year ending 31 March 2018, the current auditors of the Company noted and concurred that this accounting treatment on the Group's investment in B&O as a result of loss of significant influence over B&O is consistent with the Company's accounting policies which comply with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Impact on the Group's consolidated financial statements due to change in accounting treatment of the Group's investment in B&O as a result of loss of significant influence over B&O

The change in accounting treatment of the Group's investment in B&O is expected to have the following impacts on the consolidated financial statements of the Company for the year ending 31 March 2018:

(1) Due to the change in accounting treatment, the Group is required to recognize in its profit and loss any difference between the fair value and the carrying amount of Group's interest in B&O at the date when the equity method was discontinued. Based on the closing price of B&O shares as at 29 December 2017, B&O's financial information for the six months ended 30 November 2017 as contained in B&O's published "Interim Report 1st half-year 2017/18" dated 11 January 2018 and the financial information currently available, it is expected that the change will lead to an increase of approximately HK$580,000,000 (which is non-cash in nature) in the consolidated net profit of the Group for the year ending 31 March 2018. It should however be noted that the ultimate effects on the profit and loss of the Group as a result of the change is subject to audit by the auditors of the Company.

(2) Available-for sale investment is a non-derivative financial asset that is designated as available for sale or is not classified as (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at fair value through profit or loss. At the end of each reporting period, the fair value of such investment will be re-measured. As the share price of B&O is quoted price in an active market, the subsequent fair value of the Group's investment in B&O as at the financial year ending 31 March 2018 shall be obtainable through public channels.

(3) Based on the preliminary assessment of the latest unaudited management accounts of the Group for the 8 months ended 30 November 2017, the financial information currently available to the Board and the aforesaid one-off gain of approximately HK$580,000,000 (which is non-cash in nature), it is expected that the net profit of the Group for the year ending 31 March 2018 will increase significantly as compared with a net profit of approximately HK$89.8 million for the year ended 31 March 2017.

Shareholders of the Company 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
Zheng Hao Jiang
Chairman

Hong Kong, 15 January 2018

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. Zheng Hao Jiang, Mr. Zhu Lei and Mr. Cheung Man Kit. The non-executive Directors are Mr. Gao Yu, Mr. Qi Jian Wei and Mr. Tang Sung Wai. 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*