耀萊集團有限公司
SPARKLE ROLL GROUP LTD

23 December 2016

To the Independent Shareholders

Dear Sir or Madam,

MANDATORY CONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES OF
SPARKLE ROLL GROUP LIMITED
(OTHER THAN THOSE ALREADY OWNED AND/OR AGREED TO BE ACQUIRED BY THE OFFEROR AND MR. QI)

INTRODUCTION

Reference is made to the Joint Announcement jointly made by the Company and the Offeror in relation to, among other matters, the Sale and Purchase Agreement and the Offer. Terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context otherwise requires.

* For identification purposes only

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As mentioned in the Joint Announcement, the Purchasers entered into the Sale and Purchase Agreement on 20 October 2016 with the Vendors and the Guarantor, pursuant to which (i) the Offshore Vendor has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares for the Sale Share Consideration of HK$494,145,496.35; and (ii) the Onshore Vendor has conditionally agreed to sell and the Onshore Purchaser has conditionally agreed to purchase the Sale Equity for the Sale Equity Consideration of HK$28,488,372.30. The aggregate Consideration of HK$522,633,868.65 would be satisfied by the issue and allotment of the Consideration Shares at the Issue Price to the Offshore Vendor.

Completion took place on 16 December 2016 and 1,161,408,597 Consideration Shares had been issued to the Offshore Vendor which is wholly owned by Mr. Qi.

Immediately before the Completion, and taking into account (a) 855,864,000 Shares and 7,224,000 Shares respectively held by the Offeror and Mr. Qi; and (b) 2,992,000 Shares held by Kingston Securities (which is making the Offer on behalf of the Offeror) and its associates, the Offeror, Mr. Qi and/or parties acting in concert with any of them effectively held 866,080,000 Shares, representing approximately 29.06% of the total issued share capital of the Company.

Upon Completion and as at the Latest Practicable Date, the interests of the Offeror, Mr. Qi and/or parties acting in concert with any of them in the total issued share capital of the Company had increased from approximately 29.06% to approximately 48.95%. The Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory conditional cash offer for all the issued Shares (other than those already owned and/or agreed to be acquired by the Offeror and Mr. Qi). Pursuant to Rule 26.2 of the Takeovers Code, the Offer is conditional upon the Offeror having received acceptances in respect of voting rights which, together with voting rights acquired or agreed to be acquired before or during the Offer, will result in the Offeror, Mr. Qi and/or parties acting in concert with any of them holding more than 50% of the voting rights.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offer as well as setting out the letter from the Takeovers Code Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the terms of the Offer and as to acceptance of the Offer, and the letter from TC Capital containing its advice and recommendation to the Takeovers Code Independent Board Committee in respect of the terms of the Offer and as to acceptance of the Offer.

TAKEOVERS CODE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Rule 2.8 of the Takeovers Code requires the Company to establish an independent committee of the Board to give a recommendation to the Independent Shareholders on the Offer and that such independent committee should comprise all the non-executive Directors who have no direct or indirect interest in the Offer other than as a Shareholder. Mr. Qi Jian Wei, by virtue of his family relationship with Mr. Qi, is considered to have direct interests in the Offer and will not sit on the Takeovers Code Independent Board Committee. The Takeovers Code Independent Board Committee comprising of two of its non-executive Directors, namely Mr. Zhang Si Jian and Mr. Gao Yu and all independent non-executive Directors, namely Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Lee Thomas Kang Bor, has been formed to advise the Independent Shareholders in respect of the Offer.

TC Capital has been approved by the Takeovers Code Independent Board Committee to act as the independent financial adviser to advise the Takeovers Code Independent Board Committee as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance in respect of the Offer. The full text of the letter of advice from the TC Capital addressed to the Takeovers Code Independent Board Committee is set out in this Composite Document.

MANDATORY CONDITIONAL CASH OFFER

As at the Latest Practicable Date, the Company had 4,141,237,447 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares

Principal Terms of the Offer

As mentioned in the ''Letter from Kingston Securities'' on pages 11 to 19 of this Composite Document, Kingston Securities, for and on behalf of the Offeror, is making the Offer to all the Independent Shareholders for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and Mr. Qi) in compliance with Rule 26.1 of the Takeovers Code on the following basis:

For each Offer Share ..... HK$0.45 in cash

The Offer extends to all Offer Shares. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

The Offer Price of HK$0.45 per Offer Share is the same as the Issue Price in the Sale and Purchase Agreement. Pursuant to Rule 26.3 of the Takeovers Code, the Offer Price is the highest price paid by the Offeror and parties acting in concert with it for the Shares within 6 months prior to the commencement of the Offer Period.

Further details of the Offer, including terms and procedures for acceptance and settlement of the Offer, are contained in the ''Letter from Kingston Securities'' as set out on pages 11 to 19 of, and Appendix I to, this Composite Document and the accompanying Form of Acceptance.

GENERAL

Information on the Offeror and its intention regarding the Company

Your attention is drawn to the sections headed ''Information on the Offeror'' and ''Intentions of the Offeror regarding the Group'' in the ''Letter from Kingston Securities'' set out in this Composite Document.

The Board is pleased to learn that it is the intention of the Offeror that the Group will continue with the existing business of the Group. It is also the intention of the Offeror that there will not be significant changes in the management and employees of the Group or any redepolyment of the fixed assets of the Company other than those in its ordinary course of business as a result of the Completion and the Offer.

Information on the Group

The Group is principally engaged in the distributorships of luxury goods. The operations are mainly based in Hong Kong, the PRC and Malaysia.

The following table sets out the shareholding structure of the Company (based on information received by the Company and notified pursuant to Part XV of the Securities and Futures Ordinance as at the Latest Practicable Date) (i) immediately before the Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	Immediately before Completion		Immediately after Completion and as at the Latest Practicable Date	
Shareholders	No. of Shares	Approximate %	No. of Shares	Approximate %
The Offeror, Mr. Qi and parties acting in concert with any of them:				
The Offeror	855,864,000	28.72	2,017,272,597	48.71
Mr. Qi	7,224,000	0.24	7,224,000	0.17
Kingston Securities and its associates	2,992,000	0.10	2,992,000	0.07
Sub-total of the Offeror, Mr. Qi and parties acting in concert with any of them	866,080,000	29.06	2,027,488,597	48.95
Directors:				
Tong Kai Lap ("Mr. Tong") (Note 2)	20,034,400	0.67	20,034,400	0.48
Zheng Hao Jiang	10,640,000	0.36	10,640,000	0.25
Choy Sze Chung, Jojo	1,000,000	0.03	1,000,000	0.02
Lee Thomas Kang Bor	1,256,000	0.04	1,256,000	0.03
Substantial Shareholder:				
Wang Qiang ("Mr. Wang") (Note 1)	335,262,000	11.25		
Public:				
Mr. Wang (Note 1)			335,262,000	8.09
Other public Shareholders	1,745,556,450	58.59	1,745,556,450	42.18
Total	2,979,828,850	100.00	4,141,237,447	100.00

Notes:

1. Mr. Wang holds 316,280,000 Shares through Street Smart Properties Limited which was wholly-owned by Mr. Wang as at the Latest Practicable Date. Save as disclosed in the above shareholding structure, Mr. Wang has no other relationship with the Company and the assets to be acquired under the Acquisition. Assuming that Mr. Wang does not bring additional or dispose of his shareholding in the Company before the Completion, Mr. Wang's shareholding will be regarded as Shares held by the public upon Completion.

2. Mr. Tong, an executive Director and Chairman of the Group, is also an existing director of B&O. He directly holds 9,760,000 Shares and 10,274,400 Shares are held by Rapid Alert International Limited, a company controlled by a discretionary trust of which Mr. Tong is the founder. Therefore, he holds 20,034,400 Shares, representing approximately 0.67% of interest in Shares as at the Latest Practicable Date.

Set out below is a summary of the audited consolidated results of the Group for the two financial years ended 31 March 2015 and 2016, and the unaudited consolidated results of the Group for the six months ended 30 September 2016, as extracted from the annual reports of the Company for the years ended 31 March 2015 and 31 March 2016 and the interim report of the Company for the six months ended 30 September 2016, respectively.

	For the six months ended 30 September 2016	**For the year ended 31 March 2016**	**For the year ended 31 March 2015**
	(Unaudited)	(Audited)	(Audited)
	HK$'000	HK$'000	HK$'000
Revenue	1,369,359	2,376,904	2,605,701
Profit/(Loss) before taxation	35,449	(33,193)	(458,303)
Profit/(Loss) after taxation	34,067	(33,680)	(458,622)

The audited consolidated net assets of the Group as at 31 March 2015 and 2016 was approximately HK$1,130,345,000 and HK$1,083,726,000, respectively. The unaudited consolidated net assets of the Group as at 30 September 2016 was approximately HK$1,101,657,000.

Your attention is drawn to the financial information on the Group set out in Appendix II to this Composite Document.

MAINTAINING THE LISTING STATUS OF THE COMPANY

It is stated in the ''Letter from Kingston Securities'' in this Composite Document that the Offeror intends to maintain the listing status of the Company on the Stock Exchange following the close of the Offer.

In the event that the public float of the Company falls below 25% following the close of the Offer, the sole director of the Offeror has undertaken to the Stock Exchange that he would procure the Offeror to take appropriate steps to ensure that sufficient public float exists for the Shares as soon as possible following the close of the Offer.

The Stock Exchange stated that if, after the closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

(a) a false market exists or may exist in the trading of the Shares; or

(b) there are insufficient Shares in public hands to maintain an orderly market,

it would consider exercising its discretion to suspend dealings in the Shares.

RECOMMENDATIONS

Your attention is drawn to the ''Letter from the Takeovers Code Independent Board Committee'' which sets out its recommendation to the Independent Shareholders in respect of the Offer, as set out on pages IBC-1 to IBC-2 of this Composite Document. Your attention is also drawn to the letter of advice from TC Capital which contains, among other things, their advice to the Takeovers Code Independent Board Committee in relation to the Offer, which is set out on pages IFA-1 to IFA-17 of this Composite Document.

The Independent Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the ''Letter from Kingston Securities'' as set out on pages 11 to 19 of this Composite Document which contains further details of the Offer and the information set out in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

Yours faithfully,
For and on behalf of the Board of
Sparkle Roll Group Limited



Tong Kai Lap
Executive Director