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LETTER FROM THE BOARD

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**New Sparkle Roll International Group Limited**  
**新耀萊國際集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 970)**

***Directors:***

*Executive Directors*

Mr. Zheng Hao Jiang (*Chairman*)

Mr. Zhao Xiaodong (*Deputy Chairman*)

Mr. Zhu Lei

Ms. Cheng Bin

*Independent Non-executive Directors*

Mr. Choy Sze Chung, Jojo

Mr. Lam Kwok Cheong

Mr. Gao Yu

Ms. Liu Wenjing

***Registered Office:***

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

***Principal Place of***

***Business in Hong Kong:***

23/F, China Huarong Tower

60 Gloucester Road, Wanchai

Hong Kong

8 December 2023

*To the Independent Shareholders, the Optionholders and the CB Holders*

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFERS BY  
SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED  
ON BEHALF OF SZE CHING LAU  
TO ACQUIRE ALL OF THE ISSUED SHARES AND  
ALL OUTSTANDING CONVERTIBLE BONDS OF  
NEW SPARKLE ROLL INTERNATIONAL GROUP LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY OR TO BE ACQUIRED  
BY SZE CHING LAU AND PARTIES ACTING IN CONCERT WITH HIM)  
AND  
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF  
NEW SPARKLE ROLL INTERNATIONAL GROUP LIMITED**

**INTRODUCTION**

References are made to the Offer Announcement, the Response Announcement, the Rule 3.8 Announcements, the Supplemental Offer Announcement, the Offer Document, the Despatch Announcement and the Voluntary Response Announcement.

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As announced in the Response Announcement, on 28 September 2023 (after trading hours), the Board received a letter from the Offeror notifying the Board that he has firm intention to make the Offers (in compliance with the Takeovers Code) through Shenwan Hongyuan to acquire all the issued Shares and the outstanding Convertible Bonds (other than those already owned by or to be acquired by the Offeror and his Concert Parties), and to cancel all outstanding Share Options.

On 5 October 2023, the Offeror issued the Offer Announcement setting out, among other things, details of the Offers.

On 17 October 2023, the Company published its Response Announcement in response to the Offer Announcement.

On 27 October 2023 and 30 October 2023 respectively, the Company published the Rule 3.8 Announcements relating to the exercise of the Share Options and pursuant to Rule 3.8 of the Takeovers Code.

Following the Response Announcement, on 9 November 2023, the Offeror issued the Supplemental Offer Announcement in respect of the Offers.

On 24 November 2023, the Offeror despatched the Offer Document, accompanied with the Forms of Acceptance. This was followed by the Despatch Announcement in which the Offeror sought to provide further information in relation to him and his Concert Parties.

On 30 November 2023, the Company published the Voluntary Response Announcement in response to, inter alia, the Supplemental Offer Announcement and the Despatch Announcement.

On 1 December 2023 and 5 December 2023 respectively, the Company published further Rule 3.8 Announcements relating to the exercise of the Share Options and pursuant to Rule 3.8 of the Takeovers Code.

**The purpose of this Response Document is to provide you with, among other things, (i) information regarding the Group and the Offers; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders, the Optionholders and the CB Holders in respect of the Offers; and (iii) the advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Offers.**

**You are advised to read this Response Document, the recommendation of the Independent Board Committee and the letter from the Independent Financial Adviser in conjunction with the Offer Document carefully before taking any action in respect of the Offers.**

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The Offers are subject to the satisfaction or waiver (where applicable) of the Conditions. Accordingly, Independent Shareholders, Optionholders, CB Holders and potential investors of the Company are reminded that the Offers may or may not become or be declared unconditional.

Shareholders, Optionholders, CB Holders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company. Persons who are in doubt about their position should consult their stockbroker, bank manager, solicitor or other professional advisers.

### THE OFFERS

The following information in relation to the Offers is based on the Offer Document. You are recommended to refer to the Offer Document and the Forms of Acceptance for further details.

#### The Share Offer

Shenwan Hongyuan, for and on behalf of the Offeror and in compliance with the Takeovers Code, has made a voluntary conditional cash offer to acquire all the Offer Shares on the following terms:

For each Offer Share  HK\$0.9 in cash

As disclosed in the Offer Document, all the Offer Shares to be acquired under the Share Offer shall be (i) fully-paid; (ii) free from mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, charges or other third party rights and interests of any nature; and (iii) with all rights attached to the Shares including all rights to any dividends and other distributions hereafter declared, paid or made in respect thereof as at the Final Closing Date or subsequently becoming attached to them, including the right to receive or retain all dividends and other distributions, if any, the record date in respect of which falls on or after the Final Closing Date.

There has been no dividend or distribution declared by the Company for the financial year ended 31 March 2023, for the six months ended 30 September 2023 and up to the Latest Practicable Date. As at the Latest Practicable Date, the Company has no intention to make, declare or pay any future dividend or make other distributions prior to the close or lapse of the Offers.

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### **The Convertible Bond Offer**

Shenwan Hongyuan, for and on behalf of the Offeror and in compliance with the Takeovers Code, has made a voluntary conditional cash offer to acquire all the outstanding Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror or his Concert Parties) on the following terms:

For every HK\$1 face value of the Convertible Bonds ~~to be acquired~~ HK\$0.225 in cash

As disclosed in the Offer Document, the Convertible Bonds to be acquired under the Convertible Bond Offer shall be (i) fully-paid; (ii) free from mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, charges or other third party rights and interests of any nature; and (iii) with all rights attached to the Convertible Bonds including the right to all dividends and other distributions hereafter declared, paid or made in respect thereof as at the Final Closing Date or subsequently becoming attached to them, including the right to receive or retain all dividends and other distributions, if any, the record date in respect of which falls on or after the Final Closing Date.

As disclosed in the Offer Document, the Convertible Bond Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

As disclosed in the Offer Document, the Convertible Bond Offer will apply to all outstanding Convertible Bonds in issue on the date on which the Convertible Bond Offer is made (other than those already owned or agreed to be acquired by the Offeror or his Concert Parties) and will not apply to any Convertible Bonds which are or have been redeemed or converted into Shares prior to the close of the Offers. In the event that the Convertible Bonds or part thereof are converted after the Offer Document LPD and new Shares are issued pursuant to such conversion, such Shares will form part of the Share Offer.

As disclosed in the Offer Document, the offer price for the Convertible Bond Offer is HK\$0.225 for every HK\$1 face value of the Convertible Bonds, determined in accordance with Rule 13 and Practice Note 6 to the Takeovers Code as the “see-through” consideration for each Convertible Bond, being the number of Shares into which the Convertible Bonds is convertible (being 2,500,000 Shares) multiplied by the Share Offer Price (HK\$0.9 per Share).

### **The Option Offer**

Shenwan Hongyuan, for and on behalf of the Offeror and in compliance with the Takeovers Code, has made an appropriate offer to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all the outstanding Share Options on the following terms:

For cancellation of each Share Option ~~to be cancelled~~ HK\$0.01 in cash

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Pursuant to the Share Option Schemes, if a general offer (whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner) is made to all the Shareholders (or all Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional, the Optionholder (or his personal representative) shall, notwithstanding any other terms on which his Share Options were granted, be entitled to exercise the Share Option (to the extent not already exercised) to its full extent or to the extent specified in the notice of the Optionholder (or his personal representative) to the Company in accordance with the terms of the Share Option Schemes. Subject to the above, the Share Options (to the extent not exercised) shall automatically lapse on the date which such offer (or as the case may be, the revised offer) closed. In this connection, reference is made to the section headed “Lapse of Share Options” in Appendix I to the Offer Document. For the avoidance of doubt, the Company wishes to clarify that it is confusing and incorrect to represent that “*under the rules of both Share Option Schemes, the Share Options (to the extent not exercised) will cease and determine and lapse automatically after the close of the Option Offer on the First Closing Date*”, which is unsupported by the terms of the Share Option Schemes.

As at the Latest Practicable Date, the Company has 4,000,000 outstanding Share Options granted pursuant to the 2022 Share Option Scheme conferring the rights to the Optionholders to subscribe for an aggregate of 4,000,000 new Shares at an exercise price of HK\$1 per Share. As disclosed in the Offer Document, since the exercise price of the outstanding Share Options is above the Share Offer Price, the outstanding Share Options are out of the money and the offer price for the cancellation of each Share Option is set at a nominal value of HK\$0.01.

As disclosed in the Offer Document, the Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects. Subject to the Share Offer becoming unconditional in all respects, following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

As at the Latest Practicable Date, the Company has (i) 390,122,090 Shares in issue, of which a total of 104,690,187 Shares (representing 26.84% of the issued share capital of the Company) are disclosed by the Offeror to be held by him and his Concert Parties; (ii) a total of 4,000,000 outstanding Share Options with rights to subscribe for a total of 4,000,000 new Shares; and (iii) outstanding Convertible Bonds with an aggregate principal amount of HK\$10,000,000 convertible into 2,500,000 Shares. Save as disclosed above, the Company has no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares and the Company has no other Relevant Securities.

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### CONDITIONS TO THE OFFERS

#### Conditions to the Share Offer

As disclosed in the section headed “Conditions to the Offers” in Part III – Letter from Shenwan Hongyuan of the Offer Document, the Share Offer shall be conditional upon the satisfaction of the following Conditions on or before the First Closing Date unless otherwise waived by the Offeror:

- (i) valid acceptances of the Share Offer being received (and not, where permitted withdrawn by 4:00 p.m. on the First Closing Date) (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and his Concert Parties holding more than 50% of the voting rights in the Company as at the First Closing Date;
- (ii) the Shares remaining listed and traded on the Stock Exchange up to the First Closing Date (or, if earlier, the Unconditional Date) save for any temporary suspension(s) of trading in the Shares as a result of the Offers and no indication being received on or before the First Closing Date (or, if earlier, the Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn, other than as a result of either the Offers or anything done or caused by or on behalf of the Offeror or his Concert Parties;
- (iii) no event, up to the First Closing Date, having occurred which would make the Offers or the acquisition of any of the Shares under the Offers void, unenforceable or illegal or their implementation being prohibited or which would impose material conditions, limitations or obligations with respect to the Offers;
- (iv) no Relevant Authority(ies) in Hong Kong or any other jurisdictions having taken or instigated any action, proceeding, suit, investigation or enquiry, or enacted or made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Offers or the acquisition of any of the Shares or securities of the Company under the Offers void, unenforceable or illegal or prohibit the implementation of, or which would impose any material conditions, limitations or obligations with respect to, the Offers (other than such items or events above as would not have a material adverse effect on the legal ability of the Offeror to proceed with or consummate the Offers);

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- (v) no event occurring or having occurred which is an event of default or other event giving any lender to any member of the Group a right to accelerate the repayment of any obligations prior to their stated maturity date arising from any financing documentation to which any member of the Group is a party or by which it is bound and no lender to any member of the Group indicating on or prior to the date to be stated in the Offer Document as the First Closing Date that it will exercise such rights to accelerate repayment or claim an event of default; and
- (vi) since the date of the last audited consolidated financial statements of the Company, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business, prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial positions, shareholders' equity or results of operations of the Company or any other member of the Group.

The Offeror reserves the right to waive, in whole or in part, all or any of the Conditions set out above save that Conditions (i) and (iii) cannot be waived.

For the avoidance of doubt, the Company has no knowledge and information as to whether Condition (i) above has been fulfilled.

Subject to above, as at the Latest Practicable Date, (a) none of the Conditions have been waived or fulfilled, and (b) no event as mentioned in Condition (v) exists.

### **Condition to the Convertible Bond Offer**

The Convertible Bond Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

### **Condition to the Option Offer**

The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

**The Offers are subject to the satisfaction or waiver (where applicable) of the Conditions. Accordingly, Independent Shareholders, Optionholders, CB Holders and potential investors of the Company are reminded that the Offers may or may not become or be declared unconditional.**

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### FURTHER DETAILS OF THE OFFERS

Further details of the Offers including, among others, the expected timetable, the conditions, terms and procedures of acceptance of the Offers, are set out in the Offer Document and the Forms of Acceptance.

### INFORMATION OF THE GROUP

The Company is an investment holding company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange (stock code: 970). The principal activities of the Group are dealerships of luxury goods and automobiles, provision of after-sales services, property management services, property rental services, film related business including development and investment in films and television program and money lending business. The Group's operations are mainly based in Hong Kong and the PRC.

Your attention is drawn to Appendices I and II to this Response Document which contain further financial and general information of the Group.

### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date based on the details of the Offeror's and his Concert Parties' interests in the Shares as disclosed in the Offer Document (i) assuming none of the outstanding Share Options are exercised and none of the Convertible Bonds are converted; and (ii) assuming all of the outstanding Share Options are exercisable and fully exercised and all of the Convertible Bonds are fully converted:

Name of Shareholder	Shareholding as at the Latest Practicable Date		Shareholding as at the Latest Practicable Date (assuming all the Share Options are exercisable and fully exercised and all the Convertible Bonds are fully converted)	
	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %
<b>Offeror</b>	<b>49,999,500</b>	<b>12.82</b>	<b>49,999,500</b>	<b>12.61</b>
Cha Jung Hoon (Note 1)	16,821,000	4.31	16,821,000	4.24
Pro Honor (Note 1, 2)	14,518,187	3.72	14,518,187	3.66
Offeror's Son (Note 3)	1,067,500	0.27	1,067,500	0.27
Tsui Chun Mei (Note 4)	125,000	0.03	125,000	0.03
Lam Chi Kin (Note 1)	22,159,000	5.68	22,159,000	5.59



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Name of Shareholder	Shareholding as at the Latest Practicable Date		Shareholding as at the Latest Practicable Date (assuming all the Share Options are exercisable and fully exercised and all the Convertible Bonds are fully converted)	
	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %
<b>Aggregate number of Shares of the Offeror and his Concert Parties according to the Offer Document</b>	<b>104,690,187</b>	<b>26.84</b>	<b>104,690,187</b>	<b>26.40</b>
Tam Cho Wai Josephine	21,250,000	5.45	21,250,000	5.36
Zheng Hao Jiang (Note 5)	4,065,000	1.04	4,065,000	1.02
Zhao Xiaodong (Note 6)	3,400,000	0.87	3,400,000	0.86
Zhu Lei (Note 7)	3,400,000	0.87	3,400,000	0.86
Choy Sze Chung, Jojo (Note 8)	62,500	0.02	362,500	0.09
Liu Hongqiang (Note 9)	18,500	0.00	18,500	0.00
Lam Kwok Cheong (Note 10)	–	–	300,000	0.08
Gao Yu (Note 11)	300,000	0.08	300,000	0.08
Other Optionholder	–	–	3,400,000	0.86
CB Holders	–	–	2,500,000	0.63
Other public shareholders	252,935,903	64.84	252,935,903	63.77
<b>Total</b>	<b>390,122,090</b>	<b>100</b>	<b>396,622,090</b>	<b>100</b>

Note(s):

- As disclosed in the Offer Document, (i) on 28 September 2023, the Offeror, Mr. Cha Jung Hoon and Pro Honor entered into a concert parties deed, pursuant to which Mr. Cha Jung Hoon and Pro Honor confirmed that they are and will be acting in concert with the Offeror in the control and management of the Group with the Offeror, including in the exercise of their voting rights in any meetings of the Company. The concert parties deed shall be in effect until Mr. Cha Jung Hoon and Pro Honor (or their respective representatives) are no longer a shareholder or a director of the Company (whichever applicable); and (ii) on 9 November 2023, the Offeror, Mr. Cha Jung Hoon, Pro Honor and Mr. Lam Chi Kin entered into concert parties deed, pursuant to which (a) Mr. Lam Chi Kin confirmed that he joins the concert parties group of the Offeror, Mr. Cha Jung Hoon and Pro Honor formed pursuant to the concert parties deed dated 28 September 2023 entered into among them, and Mr. Lam Chi Kin confirmed that he is and will be acting in concert with the Offeror in the control and management of the Group with the Offeror, including in the exercise of his voting rights in any meetings of the Company; and (b) the Offeror, Mr. Cha Jung Hoon and Pro Honor agreed Mr. Lam Chi Kin to join their concert parties group. Such concert parties deed shall be in effect until Mr. Cha Jung Hoon, Pro Honor and Mr. Lam Chi Kin (or their respective representatives) are no longer a shareholder or a director of the Company (whichever applicable); and (iii) Mr. Cha Jung Hoon, Pro Honor and Mr. Lam Chi Kin are therefore the Offeror's Concert Parties. In respect of the aforesaid two concert parties deeds, as at the Latest Practicable Date, only Mr. Lam Chi Kin has disclosed the concert parties deed dated 28 November 2023 to which he is a party in his Disclosure of Interests Notice, and Mr. Cha Jung Hoon has not filed any Disclosure of Interests Notice.

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2. As disclosed in the Offer Document, Pro Honor is a company incorporated in British Virgin Islands with limited liability wholly owned by Qiu.
3. As disclosed in the Offer Document, the Offeror's Son is acting in concert with the Offeror pursuant to the Takeovers Code and is an Offeror's Concert Party. It is noted that the Offeror failed to disclose his Son's Shares or that his Son is a Concert Party for the purpose of the Takeovers Code in his Offer Announcement. As to the Company's views on the Offeror's representations that the non-disclosure was due to the disputed title of his Son's Shares, as "*the qualification, entitlement and title of the Shares held by Mr. Sze Ka Ho were challenged and the votes concerning the relevant Shares were declared ineffective for the resolutions to be passed in the Adjourned AGM*", please refer to the Voluntary Response Announcement.
4. As disclosed in the Offer Document, Ms. Tsui Chun Mei is the Offeror's wife and therefore she is acting in concert with the Offeror pursuant to the Takeovers Code and is an Offeror's Concert Party. It is noted that the Offeror failed to disclose Ms. Tsui's Shares or that Ms. Tsui is a Concert Party for the purpose of the Takeovers Code in his Offer Announcement, which according to the Supplemental Offer Announcement was due to a miscommunication between Ms. Tsui and the Offeror.
5. Mr. Zheng Hao Jiang is an executive Director and the Chairman of the Company.
6. Mr. Zhao Xiaodong is an executive Director of the Company and the Deputy Chairman of the Company.
7. Mr. Zhu Lei is an executive Director of the Company.
8. Mr. Choy Sze Chung, Jojo is an independent non-executive Director of the Company. The additional 300,000 Shares stated in the fourth (4th) column herein is based on the assumption that the 300,000 Share Options granted to Mr. Choy on 4 August 2023 under the 2022 Share Option Scheme are exercisable and fully exercised. As at the Latest Practicable Date, Mr. Choy has not exercised any of the said 300,000 Share Options.
9. Mr. Liu Hongqiang was an independent non-executive Director of the Company. He retired as an independent non-executive Director of the Company with effect from 13 November 2023 following the expiry of the appointment letter between him and the Company on 12 November 2023.
10. Mr. Lam Kwok Cheong is an independent non-executive Director of the Company. The 300,000 Shares stated in the fourth (4th) column herein is based on the assumption that the 300,000 Share Options granted to Mr. Lam on 4 August 2023 under the 2022 Share Option Scheme are exercisable and fully exercised. As at the Latest Practicable Date, Mr. Lam has not exercised any of the said 300,000 Share Options.
11. Mr. Gao Yu is an independent non-executive Director of the Company. Please refer to the section headed "Disclosure of Interests" in Appendix II to this Response Document.

Other than the Shares in issue, as at the Latest Practicable Date, the Company has (i) a total of 4,000,000 outstanding Share Options with rights to subscribe for a total of 4,000,000 new Shares; and (ii) outstanding Convertible Bonds with an aggregate principal amount of HK\$10,000,000 convertible into 2,500,000 Shares. Save as disclosed above, the Company has no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares and the Company has no other Relevant Securities.

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### INFORMATION ON THE OFFEROR AND REASONS FOR THE OFFERS

Reference is made to the section headed “Information of the Offeror and Reasons for the Offers” in the Offer Document, including in particular, that the Offeror, having been an investor in the Company since 16 December 2020, “*is disappointed in the current management performance*”.

In this connection, the Company notes that despite the Offeror’s view that “*the Company’s share price has been on a long-term downtrend*” since mid-2020, the Offeror chose to become an investor in the Company on 16 December 2020 and further increased his shareholding in the Company substantially between 17 December 2020 and 21 April 2021.

The Company further refers to the additional information disclosed in the section headed “Reasons for the Offers” in its Response Announcement on:

- (i) The prior attempts of the Offeror and/or Pro Honor to reconstitute the Board.
- (ii) The prior attempts of the Offeror and/or Pro Honor to frustrate the CB Placing, including the Interim Injunction Order sought and obtained against the Company on 25 September 2023, and the Originating Summons filed in relation thereto (as subsequently amended by the Amended OS), which eventually led to the lapse of the CB Placing on 10 October 2023.

Please refer to the sections headed “Material Change” in Appendix I and “Litigation” in Appendix II to this Response Document respectively for further details.

- (iii) The objection raised regarding the qualification of the Offeror concerning certain of his Shares at the Adjourned AGM on 25 September 2023.

In relation to the said objection, the Company noted the purported clarification of the Offeror in his Despatch Announcement that “*no particulars nor evidence were given to support the allegation raised against the Offeror at the Adjourned AGM, and it remains unknown to the Offeror as at the date of the Despatch Announcement, the basis of such allegation*”. For further details concerning the said objection/challenge including, *inter alia*, the Offeror’s representations concerning the said objection/challenge and the Company’s position on the said purported clarification, please refer to the Supplemental Offer Announcement, the Despatch Announcement, and the Voluntary Response Announcement.

- (iv) The common law derivative action issued jointly by the Offeror and Pro Honor on 25 September 2023, the relevant Writ of Summons has yet been served on the Company as at the Latest Practicable Date.

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### INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

As disclosed in the Offer Document, the Offeror has no intention to introduce major changes to the business of the Group, and it is the Offeror's intention that *"the Group's existing principal activities and businesses will be maintained, and at the same time after completion of the Offers, the Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group...The Offeror had not identified any investment or business opportunities for the Company nor had the Offeror entered into any related agreement, arrangements, understandings or negotiation and there is no plan on any injection or disposal of any assets or businesses into/of the Group as at the Offer Document LPD"*.

The Offers are uninvited and as at the Latest Practicable Date, the Offeror and the Board have not had any discussion on the long-term strategic and development plan on the Group. Further, no concrete or detailed plan was provided by the Offeror in the Offer Document for the business of the Group.

As disclosed in the Offer Document, the Offeror *"may consider convening a general meeting to appoint new member(s) with relevant experiences to the Board if such appointment is considered to be beneficial to the future development of the Group as permitted under the Takeovers Code, and that "save for the potential change(s) to the composition of the board of the Company, the Offeror has no existing plan or contemplation to terminate the employment of any other employees or other personnel of the Group"*.

No identity or credentials of the Directors to be nominated by the Offeror was provided in the Offer Document. However, the Company refers to the additional information disclosed in the section headed "Reasons for the Offers" in its Response Announcement on the prior attempts of the Offeror and/or Pro Honor to reconstitute the Board (of which the Company considered as failing to comply with the then existing Bye-laws and accordingly without proper legal basis) by, *inter alia*, putting forward specified individuals to be appointed as new Directors. The biographies of these specified individuals as provided by the Offeror and/or Pro Honor did not provide for any qualifications, experience and/or expertise in the business of dealerships of luxury goods and automobiles.

The Company further notes the Offeror's admission in the Offer Document that he does not have *"direct experience in the fields of automobile dealership business and luxury goods trading"*, despite his intention to *"leverage his business network to potentially reform the Company"* and *"play a leading role in directing the future development of the Group"*.

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### COMPULSORY ACQUISITION AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The information set out below is reproduced from the Offer Document:

*“The Offeror does not intend to avail himself of any powers of compulsory acquisition in respect of the Company. The Offeror intends to maintain the listing status of the Company after the close of Offers. The Stock Exchange has stated that, if, at the close of the Offers, 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 (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.*

*The Offeror has undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers”.*

### VIEWS OF THE EXECUTIVE DIRECTORS

The executive Directors are of the view that the Independent Shareholders, the Optionholders and the CB Holders should **NOT ACCEPT** the Share Offer, the Option Offer and the Convertible Bond Offer (as the case may be) for the reasons set out below.

(i) **The Company is significantly undervalued based on the Share Offer Price**

The executive Directors disagree that the Share Offer Price is fair and reasonable based on the following analysis.

The executive Directors note the low liquidity of the Shares based on a review of the average daily number of Shares traded per month against the total number of issued Shares at the end of such month between the period from 29 September 2022 and up to the Last Practicable Date (“**Review Period**”).

However, the executive Directors note that the Share Offer Price of HK\$0.9 per Share is at a price level lower than the daily closing prices of the Shares as quoted on the Stock Exchange for 234 out of 279 trading days during the Review Period, representing a discount of approximately 18.2% to the average closing price per Share during the Review Period of approximately HK\$1.10. As at the Latest Practicable Date, the Share Offer Price represented a discount of approximately 25.0% to the closing price of the Shares of HK\$ 1.20.

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Further, the Share Offer Price of HK\$0.9 per Share represents a discount of approximately 83.0% to the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$5.30 per Share as at 30 September 2023 calculated based on the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$2,068,847,000 as at 30 September 2023 as announced in the Interim Results 2024 and 390,122,090 Shares, being the number of Shares in issue as at the Latest Practicable Date. In other words, the Share Offer Price is substantially below the net asset value represented by each Share.

The implied price-to-book ratio (“**PBR**”) and the implied price to sales ratio (“**PSR**”) of the Company (based on the Share Offer Price) are approximately 0.17 and 0.09 times respectively. In accessing the fairness and reasonableness of the Share Offer Price, the executive Directors have, on a best effort basis, identified an exhaustive list of 4 Hong Kong companies (“**Market Comparables**”), (i) the shares of which are listed on the Main Board of the Stock Exchange; (ii) which engage in businesses similar to the major revenue stream of the Group, i.e. the sales of automobiles and provision of after-sales services; (iii) over 90% of its revenue streams are retrieved from the PRC that are similar to the Group; and (iv) with market capitalisation of below HK\$1,000 million which is considered as of similar size as compared with the Company. Set out below are the PSRs and PBRs of the Market Comparables based on their respective market capitalization as at the Latest Practicable Date and their respective latest published financial information:

Stock Code	Company Name	Principal business	Market Capitalisation (Approximately HK\$)	PSR	PBR
1728	China ZhengTong Auto Services Holdings Limited	Principally engaged in the sales of passenger motor vehicles, including luxury and ultra-luxury branded automobiles.	946,143,799	0.04	1.17
1293	Grand Baoxin Auto Group Limited	Principally engaged in the sales and services of motor vehicles.	564,664,774	0.02	0.07
1771	Sunfonda Group Holdings Limited	Principally engaged in the sale of motor vehicles and provision of motor vehicles service in the PRC.	456,000,000	0.04	0.17
1959	Centenary United Holdings Limited	Principally engaged in the sale and service of motor vehicles in the PRC.	92,451,966	0.04	0.40
970	The Company (based on the Share Offer Price)	Principally engaged in the dealership of luxury automobiles and provision of after-sales services.	351,109,881	0.09	0.17
			<b>Maximum</b>	0.04	1.17
			<b>Minimum</b>	0.02	0.07
			<b>Average</b>	0.03	0.45
			<b>Median</b>	0.04	0.28

Source: the website of the Stock Exchange and the respective interim/annual report of the listed company

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## LETTER FROM THE BOARD

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*Notes:*

1. The PSRs of the Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the revenue of the respective companies disclosed in the respective latest annual reports.
2. The PBRs of the Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the equity attributable to the owners of the respective companies disclosed in the respective latest financial reports.
3. The market capitalization of the Company was calculated based on the Share Offer Price multiplied by the total number of issued Shares as at the Latest Practicable Date. The implied PSR of the Company was calculated based upon the Share Offer Price multiplied by total number of issued Shares as at the Latest Practicable Date and then divided by the revenue of the Company of approximately HK\$3,997.656.000 for the financial year ended 31 March 2023. The implied PBR of the Company was calculated based upon the Share Offer Price multiplied by total number of issued Shares as at the Latest Practicable Date and then divided by the unaudited consolidated net assets attributable to owners of the Company per Share of approximately HK\$5.30 as at 30 September 2023.
4. In this comparable analysis, conversions of RMB into HK\$ are calculated at the approximate exchange rates of RMB1 to HK\$1.09. Such exchange rates are adopted for the purpose of illustration purpose only and do not constitute representations that any amounts have been, could have been, or may be, exchanged at these rates or any other rate at all.

Although the implied PSR of the Company (based on the Share Offer Price) of approximately 0.09 times is higher than the maximum PSR of the Market Comparables, the implied PBR of the Company (based on the Share Offer Price) of approximately 0.17 times is below the median and average of the PBRs of the Market Comparables of approximately 0.28 times and 0.45 times respectively.

Based on the above analysis, the executive Directors are of the view that the Share Offer Price has not sufficiently valued the Company's existing assets, and accordingly is not fair and reasonable.

**(ii) The prospect of the luxury goods market in the PRC is promising**

With an effective governmental policy to stimulate economic growth, the PRC economy has been quickly rebounded. On 18 October 2023, the National Bureau of Statistics of China released the GDP data for the third quarter of 2023, and the year-on-year growth rate was 4.9%, which was better than the market expectations. It is expected that (i) in the fourth quarter, the PRC economy will maintain a positive recovery momentum, and (ii) the economic recovery may meet the annual growth target of the PRC government.

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## LETTER FROM THE BOARD

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According to the “2023 Global Wealth Report” published by UBS in August 2023, although the per capita wealth of adult population decreased by 3.6% in 2022 due to the impact of high inflation, the median of global wealth increased by 3%, indicating that the spending power of high-net-worth group has not shrunk. Globally, the median of wealth grew fivefold this century, at a rate nearly twice the growth rate of per capita wealth for adult population, mainly due to the rapid growth of wealth in China. The report predicts that global wealth will grow by 38% over the next five years, reaching a total of US\$629 trillion by 2027. China Merchants Bank has also published a report titled “2023 Private Wealth Report of China”. According to the report, the number of high-net-worth individuals in Mainland China reached 3.16 million, with per capita investable assets of RMB31.83 million, and such individuals mainly concentrated in economically developed regions such as Guangdong, Shanghai, Beijing, Jiangsu and Zhejiang. In addition, young high-net-worth individuals under 40 years old accounted for almost a half of the population.

“A New Chapter to Digital Future – 2023 Report on Digital Trends of China’s Luxury Market”, which is led by Tencent Marketing Insight (TMI) and supported by Boston Consulting Group (BCG), shows that China’s luxury goods market has recovered and it is expected that the consumption scale of luxury goods by the consumers in Mainland China will reach RMB550 billion in 2023, representing a year-on-year growth rate of 15% to 20%. The report also points out that during this year, the social value of luxury goods has been attached importance once again, and the importance of suitable social scenarios and gift-giving in the purchase motives has begun to rise.

Bain & Company and Altgamma, Italian luxury goods manufacturers’ industry association, jointly released the latest luxury goods market research report titled “Altgamma Consensus 2024” in November 2023 (“**Altgamma Report**”). The Altgamma Report considered that the luxury goods market has demonstrated unrivalled resilience in 2023 amid significant geopolitical and macroeconomic changes. According to the said report, driven by the recovery of social interaction and tourism, the total sales of the global luxury goods market (including automobiles) is expected to reach EUR1.5 trillion in 2023, representing an increase of 8% to 10% from 2022 and reaching a record high. Federica Levato, joint author of the Altgamma Report, believed that in view of the strong fundamentals, the luxury goods market will usher in long-term growth.

The analysis of the Altgamma Report shows that Chinese consumers are driving the development of the luxury goods ecosystem in Asia. It is expected that the growth rate of luxury goods purchased by Chinese consumers will still be the best performer by 2024, with a growth rate of more than 10%, even though it is lower than the pre-pandemic level.

Looking forward 2030, the Altgamma Report believed that the luxury goods market will continue to grow due to strong fundamentals, with Chinese consumers accounting for 35% to 40% of the global individual luxury goods market.



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## LETTER FROM THE BOARD

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As to the automobile segment of the Group's business in the PRC, being the major source of revenue of the Group, the executive Directors note the continuing weak demand of automobiles in the PRC and that the business and operation environments of the Group will remain challenging. However, opportunities may arise from the PRC government's measures to promote the automobiles consumption in the PRC, including the 《擴大內需戰略規劃綱要(2022-2035年)》("Outline of the Strategic Plan for Expanding Domestic Demand (2022-2035)\*") jointly issued by the State Council of the PRC and The Central Committee of the Communist Party of China in December 2022, the government work report delivered by Mr. Li Keqiang, the then Premier of the State Council of the PRC, at the opening meeting of the first session of the 14th National People's Congress of the PRC in March 2023, and the 《關於恢復和擴大消費措施的通知》("Notice on measures to restore and expand consumption\*") issued by the National Development and Reform Commission of the PRC in July 2023.

Accordingly, any disruption or material change in the control and management of the Company may cast material uncertainty on the development and prospect of the Group. The executive Directors hence take the view that Independent Shareholders, Optionholders and CB Holders should not accept the Share Offer, the Option Offer and the Convertible Bond Offer (as the case may be) and should retain their relevant interests to share the prospective fruitful results of business development with the Company.

**(iii) Any change in the Board composition and senior management may have adverse impact on the Group's existing businesses**

The executive Directors have extensive knowledge and/or experience in the luxury goods market and businesses.

**Mr. Zheng Hao Jiang** is the Chairman and Chief Executive Officer of the Company. Mr. Zheng is a founding member of Hong Kong Professionals and Senior Executives Association and a fellow member of the Hong Kong Institute of Directors. He joined the Group since October 2006 and served as a General Manager of Lamborghini Beijing of the Group.

**Mr. Zhao Xiao Dong** is the Deputy Chairman and Chief Operating Officer of the Company. He was the executive Director, the Deputy Chairman and the Chief Operating Officer of the Company from September 2008 to December 2015, and had also been a Consultant from January 2016 to 15 April 2018 in respect of the watch and jewellery business of the Group. Mr. Zhao has been re-designated as the Chief Operating Officer of the Group since 16 April 2018.

Mr. Zhao has over 18 years of experience in the areas of wholesale and retail management of luxury goods in Beijing, PRC.

\* For identification purpose only

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## LETTER FROM THE BOARD

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Mr. Zhu Lei joined the Group in May 2011 and has since held several positions in the Group, including but not limited to the executive director of the marketing department of the Beijing headquarter, the operating director of Sparkle Roll Xin Tian Di Commerce Development Limited, the director of the fine wine business of the Group, the general manager of Sparkle Roll Online (Beijing) Business Service Limited and the General Manager of Rolls-Royce Tianjin of the Group. He is currently the General Manager of Sparkle Roll Honour Club and the General Manager of Lamborghini Beijing of the Group.

Mr. Zhu has over 20 years of experience in management and sales of watches and jewellery and management and operation of golf clubs.

Leveraging on the knowledge, expertise and experience of the executive Directors, the Group has built up strong relationships with major players of both the upstream and downstream of the business chain, and the Group is able to gain insight in the latest trend and development in the businesses.

It is stated in the Offer Document that the Offeror may introduce changes to the Board composition. No identity or credentials of the Directors to be nominated by the Offeror is provided in the Offer Document, and therefore it would be difficult for the executive Directors to assess whether the new Directors (if any) possess the necessary experience, knowledge, expertise and capabilities to manage the business of the Group in the same way as or better than the existing Directors do.

In this connection, the executive Directors note the prior attempts of the Offeror and/or Pro Honor to reconstitute the Board (of which the Company considered as failing to comply with the then existing Bye-laws and accordingly without proper legal basis) by, *inter alia*, putting forward specified individuals to be appointed as new Directors. The biographies of these specified individuals as provided by the Offeror and/or Pro Honor did not provide for any qualifications, experience and/or expertise in the business of dealerships of luxury goods and automobiles.

Further, the Offeror admitted in the Offer Document that he does not have any “*direct experience in the fields of automobile dealership business and luxury goods trading*”.

The Offers are uninvited, and the Offeror and the Board have not had any discussion on the long-term strategic and development plan on the Group. In the absence of any concrete plan from the Offeror in the Offer Document for the business of the Group and the lack of certainty about the new Directors (if any) to be nominated by the Offeror, the executive Directors are concerned that the existing management may not be convinced that the business strategy to be formulated by the new Directors (if any) would be in the best interests of the Company.

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## LETTER FROM THE BOARD

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Although the Offeror currently has no plan to terminate the employment of any employees or other personnel of the Group, it is stated in the Offer Document that the Offeror reserves the right to make any changes that he deems necessary or appropriate. The executive Directors consider that the uncertainty cast by the possible change in substantial Shareholder and Directors would adversely affect the morale of the employees and is not to the benefit of the Company as a whole.

Further, there is no assurance that the existing Directors and/or senior management of the Group will not resign from their respective positions in the Group if the Offers become unconditional and the Offeror becomes the majority Shareholder.

### **(iv) Lack of concrete business plan from the Offeror**

It is stated in the Offer Document that the Group's existing principal activities will be maintained, and at the same time after completion of the Offers, the Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. However, the Offeror failed to outline any concrete and detailed plan other than the abovementioned generic statements.

### **Conclusion and recommendation from the executive Directors**

Based on the above analysis, the executive Directors consider that the terms of the Share Offer, the Option Offer and the Convertible Bond Offer are **NOT FAIR AND NOT REASONABLE** so far as the Independent Shareholders, the Optionholders and the CB Holders (as the case may be) are concerned and accordingly the executive Directors strongly recommend the Independent Shareholders, the Optionholders and the CB Holders **NOT TO ACCEPT** the Share Offer, the Option Offer and the Convertible Bond Offer (as the case may be). Independent Shareholders, Optionholders and CB Holders are advised to read the letter from the Independent Board Committee set out on pages 29 to 30 of this Response Document and the letter from the Independent Financial Adviser set out on pages 31 to 57 of this Response Document.

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## LETTER FROM THE BOARD

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The executive Directors would confirm that in expressing its views on the Offers above, the following matters as disclosed in the Response Announcement have been taken into consideration:

- (i) Each executive Director (other than Ms. Cheng Bin) has interest in the Shares.
- (ii) The prior attempts of the Offeror and/or Pro Honor to reconstitute the Board including proposing resolutions to remove all of the then existing Directors, which proposed resolutions may cover Ms. Cheng Bin who has been appointed as an executive Director since 13 November 2023.

### RECOMMENDATION

As announced in the Company's announcement dated 21 November 2023, pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong, Mr. Gao Yu and Ms. Liu Wenjing, has been established to make recommendation to the Independent Shareholders, the Optionholders and the CB Holders in respect of the Offers and to advise the Independent Shareholders, the Optionholders and the CB Holders as to whether or not the Offers are fair and reasonable and as to the acceptance of the Offers. Amasse Capital has been appointed as the Independent Financial Adviser, with the approval of the Independent Board Committee, to advise the Independent Board Committee in respect of the Offers.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 29 to 30 of this Response Document which contains its recommendation to the Independent Shareholders, the Optionholders and the CB Holders as to whether the Offers are, or are not, fair and reasonable and as to their acceptance of the Offers; and (ii) the letter from the Independent Financial Adviser set out on pages 31 to 57 of this Response Document which contains its advice to the Independent Board Committee in connection with the Offers, as well as the principal factors and reasons considered by it in arriving at its advice. Independent Shareholders, Optionholders and CB Holders should read these letters in conjunction with the Offer Document carefully before taking any action in respect of the Offers.

The Independent Financial Adviser is of the view that the Share Offer, the Option Offer and the Convertible Bond Offer are **NOT FAIR AND NOT REASONABLE** so far as the Independent Shareholders, the Optionholders and the CB Holders are concerned and accordingly recommend the Independent Shareholders, the Optionholders and the CB Holders **NOT TO ACCEPT** the Share Offer, the Option Offer and the Convertible Bond Offer, respectively.

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## LETTER FROM THE BOARD

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Having considered the terms of the Offers and the advice from the Independent Financial Adviser, the Independent Board Committee considers that the Share Offer, the Option Offer and the Convertible Bond Offer are **NOT FAIR AND NOT REASONABLE** so far as the Independent Shareholders, the Optionholders and the CB Holders (as the case may be) are concerned and accordingly recommends the Independent Shareholders, the Optionholders and the CB Holders **NOT TO ACCEPT** the Share Offer, the Option Offer and the Convertible Bond Offer (as the case may be).

The executive Directors concur with the views of the Independent Board Committee and the Independent Financial Adviser and are of the view that the Share Offer, the Option Offer and the Convertible Bond Offer are **NOT FAIR AND NOT REASONABLE** so far as the Independent Shareholders, the Optionholders and the CB Holders (as the case may be) are concerned and accordingly recommend the Independent Shareholders, the Optionholders and the CB Holders **NOT TO ACCEPT** the Share Offer, the Option Offer and the Convertible Bond Offer (as the case may be).

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Response Document. You are also recommended to read carefully the Offer Document and the accompanying Form(s) of Acceptance for further details in respect of the procedures for acceptance of the Offers.

Yours faithfully,  
By Order of the Board  
New Sparkle Roll International Group Limited  
Zheng Hao Jiang  
*Chairman*

A handwritten signature in black ink, appearing to be 'Zheng Hao Jiang', is written over a long, thin horizontal line that extends from the right side of the signature block towards the left.