
THIS RESPONSE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Response Document or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your securities in NEW SPARKLE ROLL INTERNATIONAL GROUP LIMITED, you should at once hand this Response Document to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

**RESPONSE DOCUMENT IN RELATION TO
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**

Independent Financial Adviser to the Independent Board Committee

AMASSE CAPITAL
寶 積 資 本

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Response Document unless the content requires otherwise.

A letter from the Board is set out on pages 8 to 28 of this Response Document. A letter from the Independent Board Committee to the Independent Shareholders, Optionholders and CB Holders in respect of the Offers is set out on pages 29 to 30 of this Response Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 31 to 57 of this Response Document.

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DEFINITIONS

In this Response Document, unless otherwise defined, the following terms shall have the following meanings:

“2012 Share Option Scheme”	the share option scheme of the Company adopted on 20 August 2012
“2022 Share Option Scheme”	the share option scheme of the Company adopted on 29 September 2022
“acting in concert”	has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” and “concert parties” should be construed accordingly
“Adjourned AGM”	the adjourned annual general meeting of the Company from 5 September 2023 to 25 September 2023
“Amended OS”	the Originating Summons as amended by the Offeror and Pro Honor (as plaintiffs) on 10 October 2023 against the Company and all of the then existing Directors in respect of the CB Placing
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors of the Company
“Bye-law(s)”	the Bye-laws of the Company
“CB Holder(s)”	the holder(s) of the Convertible Bond(s)
“CB Placing”	the placing of the convertible bonds in the aggregate principal amount of HK\$64,500,000 pursuant to the terms and conditions of the CB Placing Agreement
“CB Placing Agreement”	the conditional placing agreement dated 19 September 2023 entered into between the Company as issuer and Silverbricks Securities Company Limited as placing agent
“Closing Date”	the First Closing Date or the Final Closing Date or a later closing date as may be announced by the Offeror and approved by Executive subsequent to the issue of the Offer Document

DEFINITIONS

“Company”	New Sparkle Roll International Group Limited (新耀萊國際集團有限公司), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 970)
“Concert Party(ies)”	in relation to the Offeror, means party(ies) acting, or presumed to be acting, in concert with the Offeror, and according to the Offer Document shall include but not limited to (i) Mr. Cha Jung Hoon, Pro Honor and Mr. Lam Chi Kin pursuant to a concert parties deed entered into by the Offeror, Mr. Cha Jung Hoon and Pro Honor on 28 September 2023 and a concert party deed entered into by the Offeror, Mr. Cha Jung Hoon, Pro Honor and Mr. Lam Chi Kin on 9 November 2023, (ii) the Offeror’s Son, and (iii) Ms. Tsui Chun Mei, the wife of the Offeror
“Condition(s)”	the condition(s) of the Offers, as set out under the section headed “Conditions to the Offers” in Part III – Letter from Shenwan Hongyuan of the Offer Document
“Continuation Summons”	the summons filed by the Offeror and Pro Honor (as plaintiffs) on 26 September 2023 for the continuation of the Interim Injunction Order
“Convertible Bond Offer”	the voluntary conditional cash offer made by Shenwan Hongyuan for and on behalf of the Offeror in compliance with the Takeovers Code to acquire the outstanding Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror or his Concert Parties) in accordance with the terms described in the Offer Document
“Convertible Bonds”	the convertible bonds issued by the Company on 9 February 2021 with an outstanding principal amount of HK\$10,000,000 in aggregate as at the Latest Practicable Date
“Despatch Announcement”	the announcement issued by the Offeror in respect of, among other things, the despatch of the Offer Document dated 24 November 2023
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Closing Date”	being the date which is the 14th day after (i) the Unconditional Date or (ii) the First Closing Date, whichever is the later
“First Closing Date”	22 December 2023, Friday, being the first closing date of the Offers
“Form(s) of Acceptance”	(i) the WHITE form of acceptance and transfer of the Offer Shares in respect of the Share Offer, (ii) the BLUE form of acceptance and transfer of the Convertible Bonds in respect of the Convertible Bond Offer, and (iii) the YELLOW form of acceptance and cancellation of the Share Options in respect of the Option Offer, accompanying the Offer Document
“Forwell”	Forwell Finance Limited, an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong, Mr. Gao Yu and Ms. Liu Wenjing, established to make a recommendation to the Independent Shareholders, the Optionholders and the CB Holders in respect of the Offers
“Independent Financial Adviser” or “Amasse Capital”	Amasse Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code to advise on the Offers
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and his Concert Parties

DEFINITIONS

“Interim Injunction Order”	the interim injunction order sought and obtained on 25 September 2023 by the Offeror and Pro Honor (as plaintiffs) against, <i>inter alia</i> , the Company in respect of the CB Placing
“Interim Results 2024”	the unaudited consolidated interim results of the Group for the six months ended 30 September 2023 as set out in the announcement of the Company published on 30 November 2023
“Last Trading Day”	29 September 2023, being the last trading day of the Shares immediately preceding the date of the Offer Announcement
“Latest Practicable Date”	5 December 2023, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers
“Offers”	collectively, the Share Offer, the Convertible Bond Offer and the Option Offer
“Offer Announcement”	the announcement issued by the Offeror in respect of the Offers on 5 October 2023
“Offer Document”	the offer document dated 24 November 2023 issued by the Offeror which sets out, among other things, details of the Offers in accordance with the Takeovers Code
“Offer Document LPD”	21 November 2023, stated in the Offer Document to be the latest practicable date prior to the printing of the Offer Document for ascertaining certain information contained therein
“Offer Period”	has the meaning ascribed to it in the Takeovers Code, being the period commencing from 5 October 2023 (being the date of the Offer Announcement) and ending on the later of (i) the date when the Offers close for acceptances; and (ii) the date when the Offers lapse

DEFINITIONS

“Offer Share(s)”	all the Share(s) in issue, other than those already owned by or to be acquired by the Offeror and his Concert Parties
“Offeror”	Mr. Sze Ching Lau
“Optionholder(s)”	the holder(s) of the Share Options
“Option Offer”	the voluntary conditional cash offer made by Shenwan Hongyuan for and on behalf of the Offeror in accordance with the Takeovers Code to cancel all the outstanding Share Options in exchange for cash in accordance with the terms described in the Offer Document
“Originating Summons”	the originating summons dated 25 September 2023 issued by the Offeror and Pro Honor (as plaintiffs) against the Company and all of the then existing Directors in respect of the CB Placing
“PRC”, “China” or “Mainland China”	the People’s Republic of China (for the purpose of this Response Document, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“Pro Honor”	Pro Honor Investment Limited, which according to the Offer Document is a company incorporated in British Virgin Islands with limited liability wholly owned by Qiu
“Qiu”	Mr Qiu Peiyuan (仇沛沅)
“Relevant Authority(ies)”	any government, governmental, quasi-governmental, statutory or regulatory authority, body, agency, tribunal, court or institution
“Relevant Period”	the period commencing on 5 April 2023, being the date falling six months preceding the date of commencement of the Offer Period, up to and including the Latest Practicable Date
“Relevant Securities”	has the meaning ascribed to it in Note 4 to Rule 22 of the Takeovers Code
“Response Announcement”	the announcement published by the Company on 17 October 2023 in response to the Offer Announcement

DEFINITIONS

“Response Document”	this circular issued by the Company to the Independent Shareholders, the Optionholders and the CB Holders in accordance with the Takeovers Code
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 3.8 Announcements”	collectively, the announcements published by the Company on 27 October 2023, 30 October 2023, 1 December 2023 and 5 December 2023 pursuant to Rule 3.8 of the Takeovers Code, and “Rule 3.8 Announcement” means any of them
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.032 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Share Offer”	the voluntary conditional cash offer made by Shenwan Hongyuan for and on behalf of the Offeror in accordance with the Takeovers Code to acquire all of the outstanding Offer Shares in accordance with the terms and conditions set out in the Offer Document
“Share Offer Price”	the price at which the Share Offer will be made, being HK\$0.9 per Offer Share
“Share Option(s)”	the share option(s) granted by the Company pursuant to the Share Option Schemes, entitling the Optionholder(s) to subscribe for new Shares
“Share Option Schemes”	collectively, the 2012 Share Option Scheme and the 2022 Share Option Scheme
“Shenwan Hongyuan”	Shenwan Hongyuan Capital (H.K.) Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which made the Offers for and on behalf of the Offeror, and the financial adviser to the Offeror

DEFINITIONS

“Son”	Mr. Sze Ka Ho, the son of the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Offer Announcement”	the supplemental announcement issued by the Offeror dated 9 November 2023 in respect of the Offers
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC
“Unconditional Date”	the date on which the Offers become or are declared unconditional (i) as to acceptances and/or (ii) in all respects, the latest time on which the Offeror can declare the Offers unconditional as to acceptances is 7:00 p.m. on 23 January 2024 (the 60th day after the posting of the Offer Document), or such later date to which the Executive may consent
“Voluntary Response Announcement”	the announcement published by the Company on 30 November 2023 in response to certain announcements issued by the Offeror
“%”	per cent

LETTER FROM THE BOARD



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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 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 HK\$0.01 in cash

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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);

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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 %
Offeror	49,999,500	12.82	49,999,500	12.61
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

LETTER FROM THE BOARD

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 %
Aggregate number of Shares of the Offeror and his Concert Parties according to the Offer Document	104,690,187	26.84	104,690,187	26.40
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	<u>252,935,903</u>	<u>64.84</u>	<u>252,935,903</u>	<u>63.77</u>
Total	<u>390,122,090</u>	<u>100</u>	<u>396,622,090</u>	<u>100</u>

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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*".

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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
			Maximum	0.04	1.17
			Minimum	0.02	0.07
			Average	0.03	0.45
			Median	0.04	0.28

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

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**

We refer to the Response Document dated 8 December 2023 issued by the Company in response to the Offer Document, in which this letter forms a part. Unless the context otherwise requires, terms defined in the Response Document shall have the same meanings as in this letter.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed to form the Independent Board Committee to consider the terms 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 to make a recommendation as to acceptance of the Share Offer, the Option Offer and the Convertible Bond Offer. Amasse Capital has been appointed as the Independent Financial Adviser with our approval to advise us in respect of the above. Details of its advice and the principal factors and reasons which it has considered before arriving at its advice and recommendation are set out in the letter from the Independent Financial Adviser on pages 31 to 57 of the Response Document.

We also wish to draw your attention to the letter from the Board and the additional information set out in the appendices to the Response Document.

Having considered the terms of the Offers and the advice from the Independent Financial Adviser, we concur with Amasse Capital's advice and consider 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).

Independent Shareholders, Optionholders and CB Holders should consider carefully the terms of the Offers and are recommended to read the full text of the letter from the Independent Financial Adviser set out in the Response Document before making a decision to accept or not to accept the Share Offer, the Option Offer and the Convertible Bond Offer (as the case may be). If in any doubt, the Independent Shareholders, Optionholders and CB Holders should consult their own professional advisers for professional advice.

Yours faithfully,

For and on behalf of the Independent Board Committee
New Sparkle Roll International Group Limited

Mr. Choy Sze Chung, Jojo Mr. Lam Kwok Cheong Mr. Gao Yu Ms. Liu Wenjing
Independent non-executive Directors

LETTER FROM AMASSE CAPITAL

Set out below is the text of a letter received from Amasse Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Offers, prepared for the purpose of inclusion in this Response Document.

AMASSE CAPITAL
寶 積 資 本

8 December 2023

To the Independent Board Committee

Dear Sirs,

**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

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Offers. Details of the Offers are set out in the letter from the Board to the Independent Shareholders, the Optionholders and the CB Holders (the “**Letter from the Board**”) enclosed in the response document dated 8 December 2023 (the “**Response Document**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Response Document unless the context otherwise requires.

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, through Shenwan Hongyuan, the Offers 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.

LETTER FROM AMASSE CAPITAL

On 5 October 2023, the Offeror published the Offer Announcement setting out details of the Offers (as supplemental by the Supplemental Offer Announcement (together with the Offer Announcement, the “**Offeror Announcements**”)), including the Share Offer Price, the information and intention of the Offeror. On 24 November 2023, the Offeror published the Offer Document setting out further details of the Offers, accompanied with the Forms of Acceptance. According to Rule 8.4 of the Takeovers Code, the Company is required to respond within 14 days from the posting of the Offer Document unless the Executive consents to a later date.

As at the Latest Practicable Date, the Company has (i) 390,122,090 Shares in issue; (ii) 4,000,000 outstanding Share Options under the Share Option Schemes; and (iii) outstanding Convertible Bonds with an aggregate principal amount of HK\$10,000,000 convertible into 2,500,000 Shares.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong, Mr. Gao Yu and Ms. Liu Wenjing, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Independent Shareholders, the Optionholders and the CB Holders in respect of the Offers.

We, Amasse Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers and, in particular, as to whether the Offers are fair and reasonable and as to the acceptance of the Offers pursuant to Rule 2.1 of the Takeovers Code. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

We are not in the same group as the financial or other professional advisers (including a stockbroker) to the Offeror or the Company, and we are not associated with the Offeror or the Company or any party acting, or presumed to be acting in concert with any of them and we had not had, any connection, financial assistance or otherwise, with either the Offeror or the Company or the controlling shareholder(s) of either of them. As at the Latest Practicable Date, apart from the existing engagement in connection with the Offers, we do not and did not have any relationship (business, financial or otherwise) that amounted to a significant connection with the Company or the Offeror within the past two years for us of a kind necessary likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

LETTER FROM AMASSE CAPITAL

It is noted that, apart from normal professional fees paid or payable to us in connection with the current engagement as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or the Offeror or any other parties that could reasonably be regarded as relevant to our independence.

Accordingly, we consider that we are independent pursuant to Rule 2.6 of the Takeovers Code and Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinions and recommendation, we have reviewed, among others, the annual reports of the Company for the years ended 31 March 2022 and 2023 (the “**2022 Annual Report**” and the “**2023 Annual Report**”, respectively), the interim result announcement of the Company for the six months period ended 30 September 2023 issued on 30 November 2023 (the “**2024 Interim Results Announcement**”), the Offeror Announcements, the Offer Document and the Response Document. We have relied on the accuracy of the information and facts contained or referred to in the Offer Document, the Response Document and provided to us by the Directors. We have assumed that all information and representations contained or referred to in the Response Document and/or provided to us were true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of despatch of the Response Document. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Response Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Response Document and to provide a reasonable basis for our opinion and recommendation. The Directors have declared in a responsibility statement set out in the Appendix II to the Response Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Response Document. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group. Our opinion is based on the Directors’ representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offers.

LETTER FROM AMASSE CAPITAL

In formulating our opinions, we have not considered the tax implication on the Independent Shareholders, the Optionholders or the CB Holders arising from acceptances or non-acceptances of the Share Offer, the Option Offer or the Convertible Bond Offer as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Share Offer, the Option Offer or the Convertible Bond Offer. In particular, the Independent Shareholders, the Optionholders or the CB Holders who are residents outside Hong Kong or subject to overseas tax or Hong Kong taxation on securities dealings should consider their own tax position, and if in any doubt, should consult their own professional advisers.

In formulating our opinions, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date. The Shareholders, the Optionholders or the CB Holders will be informed should there be any material changes to the information contained or referred to herein and our opinion as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

This letter is issued for the Independent Shareholders, the Optionholders or the CB Holders solely in respect of the Offers and, except for its inclusion in the Response Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

THE OFFERS

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

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.

LETTER FROM AMASSE CAPITAL

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 HK\$0.225 in cash

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.

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 HK\$0.01 in cash

As at the Latest Practicable Date, the Company has 4,000,000 outstanding Share Options under 2022 Share Option Scheme, conferring the rights to the Optionholders to subscribe for an aggregate of 4,000,000 Shares at an exercise price of HK\$1.00. Since the exercise price of the outstanding Share Option 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.

Conditions to the Offers

Conditions to the Share Offer

The Share Offer shall be conditional upon the satisfaction of the following conditions on or before the 22 December 2023 (being the First Closing Date) unless otherwise waived by the Offeror:

LETTER FROM AMASSE CAPITAL

- (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);
- (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

LETTER FROM AMASSE CAPITAL

- (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.

As stated in the Offer Document, 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, based on the publicly available information of the Company, the Offeror has no knowledge and information as to whether any event mentioned in Condition (v) exists as at the Offer Document LPD.

As stated in the Response Document, for the avoidance of doubt, the Company has no knowledge and information as to whether Condition (i) above has been fulfilled. Subject to the 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.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinions, we have taken into consideration the following principal factors and reasons:

1. Information on and financial performance of the Group

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in distributorships of automobiles in the PRC and luxury goods, provision of after-sales services, provision of property management services, provision of property rental services, provision of money lending services, and film related business including development and investment in films and television program.

LETTER FROM AMASSE CAPITAL

Set out below is a summary of the consolidated financial information on the Group's operations for (i) each of the three years ended 31 March 2021, 2022 and 2023 ("FY2021", "FY2022" and "FY2023", respectively) as extracted from the 2022 Annual Report and the 2023 Annual Report; and (ii) each of the six months period ended 30 September 2022 and 2023 ("1H2023" and "1H2024", respectively) as extracted from the 2024 Interim Results Announcement.

	For the six months		For the year ended 31 March		
	ended 30 September		2023	2022	2021
	2023	2022	2023	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	1,733,707	2,123,602	3,997,656	4,324,487	4,525,762
– Auto dealership	1,504,350	1,871,507	3,497,614	3,800,194	4,076,322
– Non-auto dealership	193,920	203,320	422,022	437,458	331,020
– Property management and others	35,437	48,775	78,020	86,835	118,420
Gross profit	214,033	337,233	578,128	856,432	691,753
(Loss)/profit before income tax	(53,110)	763	(59,852)	9,619	32,124
(Loss)/profit for the year/period	(50,620)	3,484	(53,623)	31,514	37,777
(Loss)/profit for the year/period attributable to the owners of the Company	(51,747)	6,934	(53,127)	34,052	37,527
			As at	As at	
			30 September	31 March	
			2023	2023	
			<i>HK\$'000</i>	<i>HK\$'000</i>	
			<i>(unaudited)</i>	<i>(audited)</i>	
Total assets			3,636,163	3,985,960	
Total liabilities			1,550,137	1,758,040	
Net assets			2,086,026	2,227,920	
Equity attributable to owners to the Company			2,068,847	2,199,224	

Financial performance for the six months period ended 30 September 2023

For 1H2024, the Group recorded revenue of approximately HK\$1,733.7 million, representing a decrease of approximately 18.4% as compared to that of approximately HK\$2,123.6 million for 1H2023. The decrease in revenue was mainly due to the decrease in unit sold and average selling price of automobiles products due to the continuing weak automobile market sentiment and keen competition.

LETTER FROM AMASSE CAPITAL

The gross profit of the Group was approximately HK\$214.0 million for 1H2024, representing a decrease of approximately 36.5% as compared to that of approximately HK\$337.2 million for 1H2023, and gross profit margin was approximately 12.3%, decrease for 3.6 percentage points when compared to that of approximately 15.9% for 1H2023. The decrease in gross profit was mainly due to decrease in gross profit margin of the sales of automobiles due to the continuing weak automobile market sentiment and keen competition and decrease in incentive bonuses offered by the automobile suppliers.

The loss for the period attributable to the owners of the Company was approximately HK\$51.7 million for 1H2024, representing a turnover from a profit for the period attributable to the owners of the Company of approximately HK\$6.9 million for 1H2023 mainly due to the decrease in the revenue and the gross profit of the Group as mentioned above, which was partly offset by the decrease in selling and distribution costs of the Group due to the decrease in marketing and promotion expenses during 1H2024.

Financial performance for the year ended 31 March 2023

For FY2023, the Group recorded revenue of approximately HK\$3,997.7 million, representing a decrease of approximately 7.6% as compared to that of approximately HK\$4,324.5 million for FY2022. The decrease in revenue was mainly due to the change in the exchange rate on translation from most of the functional currency (RMB) into a presentation currency (HK\$) and RMB depreciated during the year as well as the decrease in sales of automobiles arising from the adoption of a series of lockdown measures against the 2019 coronavirus epidemic in the PRC, causing logistics restrictions and reduced foot traffic during the first three quarters of FY2023 and affecting the business operation of the Group's 5 automobile showrooms and 5 automobile after-sales service centers in Beijing and Tianjin, the PRC.

The gross profit of the Group was approximately HK\$578.1 million for FY2023, representing a decrease of approximately 32.5% as compared to that of approximately HK\$856.4 million for FY2022, and gross profit margin was approximately 14.5%, decrease for 5.3 percentage points when compared to that of approximately 19.8% for FY2022. The decrease in gross profit was mainly due to decrease in gross profit margin of the sales of automobiles caused by the weak market sentiment and keen competition incurred lead to extra discount was offered to customers.

LETTER FROM AMASSE CAPITAL

The loss for the year attributable to the owners of the Company was approximately HK\$53.1 million for FY2023, representing a turnover from profit for the year attributable to the owners of the Company of approximately HK\$34.1 million for FY2022 mainly due to the decrease in the revenue and the gross profit of the Group as mentioned above, which were partly offset by (i) the decrease in the selling and distribution costs mainly due to the decrease in marketing and promotion expenses; (ii) the decrease in impairment of goodwill in respect of the property management business; (iii) the decrease in impairment of loan receivables and loan interest receivables; and (iv) the absence of written off of other intangible assets.

Financial performance for the year ended 31 March 2022

For FY2022, the Group recorded revenue of approximately HK\$4,324.5 million, representing a decrease of approximately 4.4% as compared to that of approximately HK\$4,525.8 million for FY2021. The decrease in revenue was mainly due to the decrease in unit sold of automobiles due to less supply of automobiles by automakers which arising from global shortage of semiconductors.

The gross profit of the Group was approximately HK\$856.4 million for FY2022, representing an increase of approximately 23.8% as compared to that of approximately HK\$691.8 million for FY2021, and gross profit margin was approximately 19.8%, increase for 4.5 percentage points when compared to that of approximately 15.3% for FY2021. The increase in gross profit was mainly due to the increase in average selling price of all of the Group's automobiles and hence their gross profit margin due to limited supply of automobiles as mentioned above, therefore driving up the selling price of automobiles.

The profit for the year attributable to the owners of the Company was approximately HK\$34.1 million for FY2022, representing a decrease of approximately 9.1% as compared to that of approximately HK\$37.5 million for FY2021 mainly due to (i) the increase in selling and distribution cost mainly due to the increase in marketing and promotion expenses and employee benefit expenses; (ii) the increase in written off of other intangible assets (the "**Written Off**") from approximately HK\$0.2 million relating to trademark in FY2021 to approximately HK\$44.6 million relating to customers' list from property management contracts due to the properties ownership under one of the Group's management had been changed, which leading the such property management contract became unexecutable during FY2022. There was no such change, and therefore no written off of customers' list from property management contracts, in FY2021 and FY2023; (iii) the increase in impairment of goodwill in respect of property management business; and (iv) the increase in impairment of loan receivables and loan interest receivables as a result of two borrowers failed to repay the outstanding principal amounts and the accrued interests at the maturity dates of the two loan agreements under the money lending business, which were partly offset by the increase in gross profit as mentioned above.

LETTER FROM AMASSE CAPITAL

Financial position as at 30 September 2023

The total assets of the Group were approximately HK\$3,636.2 million as at 30 September 2023, representing a decrease of 8.8% as compared to that of approximately HK\$3,986.0 million as at 31 March 2023. The assets of the Group mainly consist of (i) property, plant and equipment; (ii) inventories; and (iii) investment properties.

The total liabilities of the Group were approximately HK\$1,550.1 million as at 30 September 2023, representing a decrease of 11.8% as compared to that of approximately HK\$1,758.0 million as at 31 March 2023. The liabilities of the Group mainly consist of (i) borrowings; (ii) lease liabilities arising from the rental of (a) office, automobile showrooms and automobile after-sales service centers for own use and (b) shops for sub-leasing; and (iii) receipts in advance, accrued charges and other payables (mainly consisted of value added tax payable, consumption tax payable, refundable rental deposits and receipts in advance).

As at 30 September 2023, the net asset attributable to the owners of the Company decreased by approximately 5.9% from approximately HK\$2,199.2 million as at 31 March 2023 to approximately HK\$2,068.8 million. The decrease in net asset attributable to the owners of the Company was mainly resulted from the decrease in inventories and property, plant and equipment, which was partly offset by the decrease in the borrowings of the Group (both current and non-current portion), all of the above were mainly due to the change in the exchange rate on translation from most of the functional currency (RMB) into a presentation currency (HK\$) and RMB depreciated during the period.

The gearing ratio of the Group (calculated as total borrowings over the total equity) as at 30 September 2023 was 42.6% as compared that of approximately 45.2% as at 31 March 2023, representing a slightly decrease of approximately 2.6 percentage points and was remained stable.

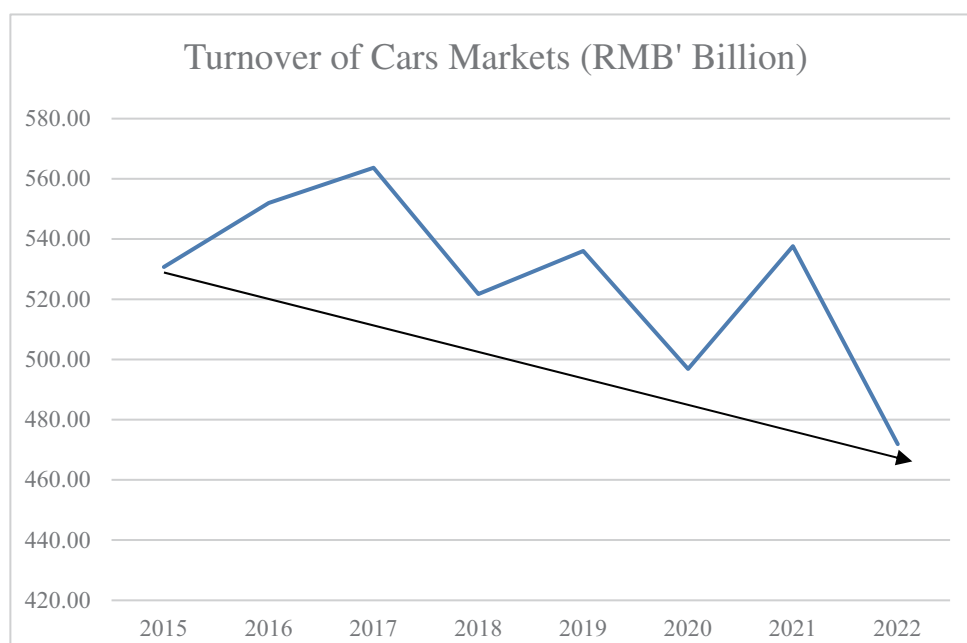
Historical dividend payout by the Company

It is noted that the Company did not pay dividend for the past ten years ended FY2023 and for IH2024.

LETTER FROM AMASSE CAPITAL

2. Future Plan and Prospects

As stated in the 2023 Annual Report, approximately 87.5% of the Group's revenue was derived from the sales of automobiles and provision of after-sales services in the PRC during FY2023 and as advised by the Management, approximately 98% and 2% of the Group's revenue was derived from the PRC and Hong Kong respectively. Given that the sales of automobiles contributed most of the Group's total revenue for FY2023 and major of the revenue was derived from the PRC, we believe that the outlook for automobiles in the PRC shall to a significant extent affect the business prospect of the Group.



Source: National Bureau of Statistics of China

According to the National Bureau of Statistics of China, the turnover of cars markets in the PRC was fluctuated and showing a downward trend in recent years. As shown in chart above, the turnover of cars markets in the PRC had reached a high of approximately RMB563.7 billion in 2017 and it had shown a trend of slowing down since then. The turnover of cars markets of the PRC in 2018 was approximately RMB521.7 billion, which represented a decrease of approximately 7.4% when compared to that of approximately RMB563.7 billion in 2017. Following by a slightly increase of approximately 2.7% during 2019, the turnover of cars markets in the PRC had dropped to approximately RMB496.9 billion in 2020, which represented a decrease of approximately 7.3% when compared to that of approximately RMB536.0 billion for 2019. The turnover of cars markets in the PRC had raised to approximately RMB537.6 billion in 2021 but then decreased to approximately RMB471.9 billion, which represented a decrease of approximately 12.2% when compared to the turnover for 2021.

LETTER FROM AMASSE CAPITAL

In view of the above, we consider that the demand of automobiles in the PRC remains weak and we believe the business and operation environments of the Group will remain challenging.

Despite the above, we noted that the PRC Government had announced certain measures to promote the automobiles consumption in the PRC, details of which are set out below:–

- (i) In December 2022, the State Council of the PRC and The Central Committee of the Communist Party of China had jointly issued 《擴大內需戰略規劃綱要(2022-2035年)》 (“**Outline of the Strategic Plan for Expanding Domestic Demand (2022-2035)***”), it stated that the PRC Government were planning to promote the automobile consumption as one of the measures for expanding domestic demand and cultivating a complete domestic demand system in the PRC.
- (ii) In March 2023, Mr. Li Keqiang, the then Premier of the State Council of the PRC, had delivered a government work report at the opening meeting of the first session of the 14th National People’s Congress of the PRC. In his report, Mr. Li Keqiang further stressed expanding the effective domestic demand and support bulk consumption such as automobiles.
- (iii) In July 2023, the National Development and Reform Commission of the PRC had issued 《關於恢復和擴大消費措施的通知》 (“**Notice on measures to restore and expand consumption***”) (the “**Notice**”). The Notice had announced that there should be no additional new car purchase restrictions in each region; and areas that had already implemented new car purchase restrictions should optimise such restrictions based on local conditions.

3. Information on the Offeror and Reasons for the Offers

As stated in the Offer Document, the Offeror, Mr. Sze, *BBS, JP*, is an experienced merchant and is currently a shareholder of Pan Asia Data Holdings Inc. (Stock Code: 1561), and the Company, and was a substantial shareholder of a number of listed companies, such as Global Strategic Group Limited (Stock Code: 8007) and BCI Group Holdings Limited (currently known as New Amante Group Limited) (Stock Code: 8412), each with more than 5% shareholdings as required to be disclosed under the relevant provisions of SFO. In addition, Mr. Sze is currently the Chairman of Lung Shing International (Group) Limited* (隆誠國際(集團)有限公司), a member of the National Committee of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議全國委員會委員), as well as the Chairman of Hong Kong Federation of Fujian Associations* (香港福建社團聯會主席). The Offeror has extensive experience in financial and equity investing, and a diversified personal investment portfolio. The Offeror has been an investor in the Company since 16 December 2020 but since mid-2020, the Company’s share price has been on a long-term downtrend and

LETTER FROM AMASSE CAPITAL

has even recently recorded its first net loss in its latest annual results since 2017. As a substantial shareholder (as defined under the Listing Rules) since March 2021, The Offeror is disappointed in the current management performance, and as such, despite not having direct experience in the fields of automobile dealership business and luxury goods trading, being the principal businesses of the Company, the Offeror has decided to invest further in the Company's business by way of seeking a controlling stake in order to leverage his business network to potentially reform the Company while further broaden the scope of his investments. The Offeror believes that separation of management and ownership is beneficial to the Company and Shareholders as a whole.

We noted that the Offeror did not have direct experience in the fields of automobile dealership business and luxury goods trading, being the principal businesses of the Company and no details on the aforesaid management was provided by the Offeror in the Offeror Document.

For further details of the Offeror and reasons for the Offers, please refer to the "Letter from Shenwan Hongyuan" contained in the Offer Document.

4. Response of the Company on the Offeror's reasons for the Offers

As stated in the Response Document, 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, including in particular, 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; (iii) the objection raised regarding the qualification of the Offeror concerning certain of his Shares at the Adjourned AGM on 25 September 2023; and (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.

LETTER FROM AMASSE CAPITAL

5. Intentions of the Offeror in relation to the Group

As disclosed in the “Letter from Shenwan Hongyuan” contained in the Offer Document, it is the Offeror’s intention to acquire a majority interest in the Company pursuant to the Offers. The intention of the Offeror is 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. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules. 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.

As disclosed in the Offer Document, the Offeror may consider convening a general meeting to appoint new member(s) to the Board if such appointment is considered to be beneficial to the future development of the Group as permitted under the Takeovers Code.

As disclosed in the Offer Document, the Offeror has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. Save for the potential change(s) to the composition of the Board, the Offeror has no existing plan or contemplation to terminate the employment of any other employees or other personnel of the Group. However, after the close of the Offers, the Offeror will continuously review the operation of the Group and the Offeror reserves the right to make any changes that he deems necessary or appropriate to the Group’s businesses and operations to optimise the value of the Group and in the interest of the overall Shareholders.

LETTER FROM AMASSE CAPITAL

6. Response of the Company on the Offeror's intention in relation to the Offers

As set out in the Response Document, 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. 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.

For further details, please refer to the section headed "INTENTION OF THE OFFEROR IN RELATION TO THE GROUP" contained in the Response Document.

7. Compulsory Acquisition and Maintaining the Listing Status of the Company

As disclosed in the Offer Document, the Offeror does not intend to avail himself of any powers of compulsory acquisition in respect of the Company and intends to maintain the listing status of the Company after the close of the Offers, details of which are set out in the paragraph headed "COMPULSORY ACQUISITION AND MAINTAINING THE LISTING STATUS OF THE COMPANY" in the Offer Document.

8. Offer Price

The Offer Price of HK\$0.9 per Offer Share represents:

- (i) a discount of approximately 10.0% to the closing price of HK\$1.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 8.2% to the average closing price of approximately HK\$0.98 per Share as quoted on the Stock Exchange for the five (5) trading days up to and including the Last Trading Day;

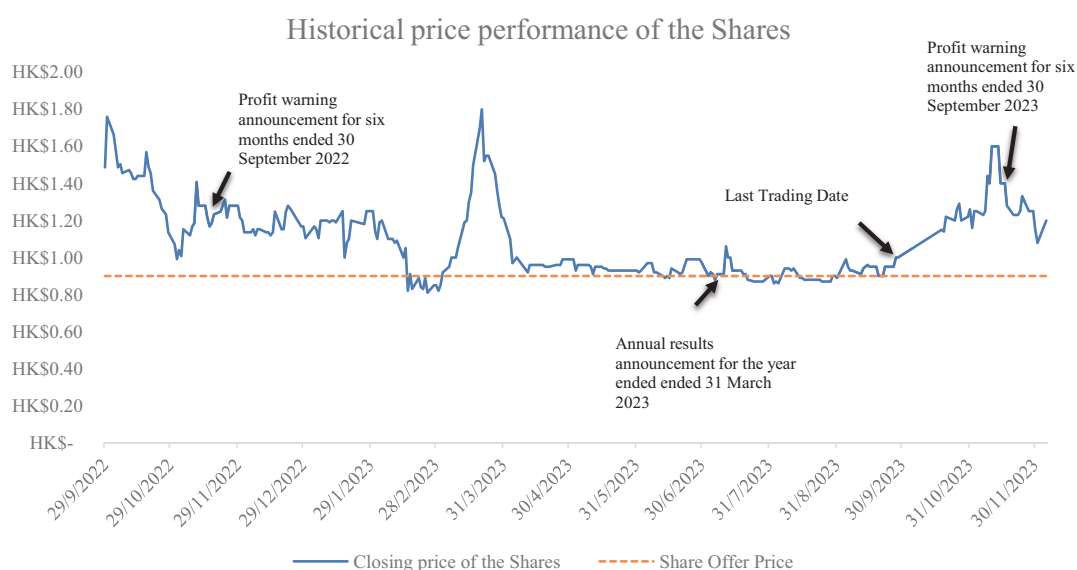
LETTER FROM AMASSE CAPITAL

- (iii) a discount of approximately 5.3% over the average closing price of approximately HK\$0.95 per Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 2.6% over the average closing price of approximately HK\$0.92 per Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 84.0% to the audited consolidated net asset value attributable to owners of the Company of approximately HK\$5.64 per Share as at 31 March 2023 (calculated based on the audited consolidated net asset value attributable to owners of the Company of approximately HK\$2,199,224,000 as at 31 March 2023 as extracted from the 2023 Annual Report and 390,122,090 Shares, being the number of Shares in issue as at the Latest Practicable Date);
- (vi) 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 extracted from the 2024 Interim Results Announcement and 390,122,090 Shares, being the number of Shares in issue as at the Latest Practicable Date); and
- (vii) a discount of approximately 25.0% to the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM AMASSE CAPITAL

Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 29 September 2022 and up to the Latest Practicable Date (the “**Review Period**”), which covers an approximate one-year period prior to the Last Trading Day and the period up to the Latest Practicable Date, to illustrate the general trend and level of movement of the closing prices of the Shares. We consider that the duration of the Review Period of approximately one year period prior to the Last Trading Day would be a reasonable and sufficient period to illustrate the recent closing price movement of the Shares.



Source: Website of the Stock Exchange (www.hkex.com.hk)

Note: Share consolidation (the “**Share Consolidation**”) of every sixteen (16) issued and unissued pre-consolidation Shares into one consolidated Share (details of which being disclosed in the Company’s circular dated 9 December 2022 and the Company’s announcement dated 6 January 2023) became effective on 10 January 2023. The Shares price of the Shares shown above before 10 January 2023 had been adjusted in relation to the Share Consolidation.

As shown in chart above, the closing price of the Shares during the Review Period ranges from the lowest closing price of approximately HK\$0.81 per Share recorded on 24 February 2023 to the highest closing price of approximately HK\$1.80 per Share recorded on 21 March 2023 respectively with an average closing price per Share of approximately HK\$1.10.

LETTER FROM AMASSE CAPITAL

The closing price of the Share generally decreased from HK\$1.76 per Share (equivalent to HK\$0.11 per pre-consolidation Share prior to the Share Consolidation) on 30 September 2022 to HK\$0.82 on 1 March 2023. It then rose to the highest of HK\$1.80 on 21 March 2023. We have enquired the Directors regarding the possible reasons for such increase in the closing price of the Shares in the period between 1 March 2023 to 21 March 2023, and as confirmed by the Directors, the Directors were not aware of any happening which might have affected the closing price of the Shares.

Afterwards, the closing prices of the Shares started to decline and were in general remained stable in the period between 3 April 2023 and the Last Trading Date (i.e. 29 September 2023), the daily closing price of the Shares fluctuated between the range from HK\$0.86 per Share to HK\$1.10 per Share.

Immediately after the Last Trading Date and to the Latest Practicable Date, the daily closing price of the Shares was fluctuated in a range of between HK\$1.08 to HK\$1.60. We have enquired into the Directors regarding the possible reasons for such increase in the closing price of the Shares, and as confirmed by the Directors, save as the Offers, the Directors were not aware of any happening which might have affected the closing price of the Shares.

We noted that the Share Offer Price had been lower than the daily closing prices for 234 out of 279 trading days during the Review Period. The Share Offer Price of HK\$0.9 represents a premium of approximately 11.1% over the lowest closing price per Share, a discount of 50.0% to the highest closing price per Share and a discount of approximately 18.2% to the average closing price per Share during the Review Period, respectively. We further noted that the closing price of the Shares as at the Latest Practicable Date of HK\$1.20 per Share exceeded the Share Offer Price and the Share Offer Price represented a discount of approximately 25.0% to the closing price of the Shares as at the Latest Practicable Date.

LETTER FROM AMASSE CAPITAL

Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month (the “**Average Volume**”), and the respective percentages of the Average Volume as compared to the total number of issued Shares during the period from 29 September 2022 and up to the Latest Practicable Date, being the Review Period, are tabulated as below:

Month	Number of trading days in each month <i>Number of days</i>	Average Volume <i>in Shares</i>	Percentage of the Average Volume to total number of issued Shares as at the end of each respective month <i>%</i> <i>(Note 1)</i>
2022			
September	2	823,000	0.241%
October	20	1,211,625	0.354%
November	22	958,017	0.280%
December	20	186,025	0.054%
2023			
January	18	649,694	0.190%
February	20	531,320	0.155%
March	23	953,233	0.279%
April	17	1,178,401	0.345%
May	21	51,667	0.015%
June	21	272,286	0.080%
July	20	290,188	0.085%
August	23	203,652	0.060%
September	18	305,111	0.081%
October	9	464,833	0.121%
November	22	418,676	0.109%
December (up to and including the Latest Practicable Date)	3	176,970	0.045%

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Note:

1. The calculation is based on the Average Volume divided by the total number of issued Shares at the end of each month during the Review Period (or at the Latest Practicable Date for December 2023).

As illustrated above, during the Review Period, the Average Volume was ranging from 0.015% to 0.354% for the total number of issued Shares as at the end of each respective month (or at the Latest Practicable Date for December 2023). For the whole Review Period, the Average Volume was around 0.156% of the total number of issued Shares and we therefore consider the trading liquidity of the Shares is low when compared to the total number of issued Shares.

Given the low historical trading volume of the Shares as stated above, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without exerting a downward pressure on the Share price. The Share Offer provide opportunities for the Independent Shareholders to realise all of their investments in the Company at a fixed price. However, it is noted that the closing price of the Shares as at the Latest Practicable Date of HK\$1.20 per Share was exceeded the Share Offer Price, those Independent Shareholders who intend to accept the Share Offer are reminded that they should closely monitor the market price of Shares during the Offer Period and should consider selling their Shares in the open market, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Share Offer.

Comparison with other comparable companies

In assessing the fairness and reasonableness of the Share Offer Price, it is a general practice to make reference to other comparable companies. We attempt to carry out a comparable analysis with the price-to-earnings ratio (“**PER**”), price to sales ratio (“**PSR**”) and price-to-book ratio (“**PBR**”) which are the most commonly used benchmarks in valuing a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies determined by the open market. However, since the Group had been recorded net loss for year ended 31 March 2023, therefore the Group is not appropriate for PER comparison purpose.

LETTER FROM AMASSE CAPITAL

For the purpose of our analysis, we have identified comparable companies based on the following criteria: (i) the shares of which are listed on the Main Board of the Stock Exchange; (ii) engages in businesses similar to the major revenue stream of the Group, i.e. the sales of automobiles and provision of after-sales services that contributed over 85% of its total revenue for the latest completed financial year; (iii) over 90% of its revenue streams are retrieved from the PRC that are similar to the Group; and (iv) the companies with market capitalisation of below HK\$1,000 million which is considered as of similar size as compared with the Company.

We found 4 Hong Kong listed companies (the “**Market Comparables**”) which meet the said criteria and they are exhaustive. Shareholders should note that the businesses, the market capitalisation, operations and prospects of the Group are not exactly the same as the Market Comparables.

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
			Maximum	0.04	1.17
			Minimum	0.02	0.07
			Average	0.03	0.45
			Median	0.04	0.28

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

LETTER FROM AMASSE CAPITAL

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 FY2023. 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.

As depicted from the above table, the PBRs of the Market Comparables ranged from approximately 0.07 times to approximately 1.17 times, with a median and average of approximately 0.28 times and 0.45 times. Accordingly, the implied PBR of the Company (based on the Share Offer Price) of approximately 0.17 times is below the median and average, but is within the range, of the PBRs of the Market Comparables.

It is noted from the above table that the PSRs of the Market Comparables ranged from approximately 0.02 times to approximately 0.04 times, with a median and average of approximately 0.04 times and 0.03 times. Accordingly, 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.

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Despite 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, in view of (i) the Share Offer Price represented a discount of approximately 83.0% to the unaudited consolidated net asset value attributable to owners of the Company (the assets of the Group were mainly consisted of tangible assets, including (a) property, plant and equipment; (b) inventories; (c) investment properties; and (d) the financial assets at fair value through other comprehensive income, being the Group's investment in Bang & Olufsen A/S, a company incorporated in Denmark, whose shares are listed on NASDAQ Copenhagen A/S) of approximately HK\$5.30 per Share as at 30 September 2023; (ii) the Share Offer Price of HK\$0.9 is at a price level lower than the daily closing prices of the Shares for 234 out of 279 trading days as quoted on the Stock Exchange during the Review Period. The Share Offer Price also represents a discount of approximately 18.2% to the average closing price per Share during the Review Period; (iii) the Share Offer Price represented a discount of approximately 25.0% to the closing price of the Shares of HK\$1.20 as at the Latest Practicable Date; and (iv) the implied PBR of the Company (based on the Share Offer Price) is below the median and average of the PBRs of the Market Comparables, we are of the view that the Share Offer Price is not fair and not reasonable so far as the Independent Shareholders are concerned.

The Convertible Bond Offer and the Option Offer

With reference to the sub-paragraph headed "Share Capital" in Appendix II to the Response Document, as at the Latest Practicable Date, save for the (i) 4,000,000 outstanding Share Options under the Share Option Schemes; and (ii) outstanding Convertible Bonds with an aggregate principal amount of HK\$10,000,000 convertible into 2,500,000 Shares, the Company had no other outstanding Shares, options, warrants, derivatives or other Relevant Securities that carry a right to subscribe for or which are convertible into Shares.

(i) The Convertible Bond Offer

As set out in the Offer Document, the offer price for the Convertible Bonds 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).

In the event that the CB Holders have not exercised the conversion rights before its maturity date on 8 February 2024, the CB Holders should be entitled to receive 100% principal of the unexercised Convertible Bonds of HK\$10,000,000 on maturity which significantly exceeds the amount to be received of HK\$2,250,000 upon the full acceptance of the Convertible Bond Offer.

LETTER FROM AMASSE CAPITAL

Notwithstanding that the determination of the proposed offer price for the Convertible Bonds is in accordance with the Takeovers Code, having considered that the CB Holders shall be entitled to receive the outstanding principal amount of HK\$10,000,000 upon maturity which significantly exceeds the amount to be received of HK\$2,250,000 upon acceptance of the Convertible Bonds Offer, we consider that the CB Holders may choose to hold the Convertible Bond till maturity.

In view of (i) we consider the Share Offer Price to be not fair and not reasonable, the “see-through” consideration for each Convertible Bond (which is based on the Share Offer Price) is also considered not fair and not reasonable; and (ii) the CB Holders should be entitled to receive 100% principal of the unexercised Convertible Bonds on maturity which significantly exceeds the amount to be received upon the full acceptance of the Convertible Bond Offer, we are of the view that the offer price under the Convertible Bond Offer is not fair and not reasonable as far as the CB Holders are concerned.

(ii) The Option Offer

Given that the exercise prices of the outstanding Share Options (i.e. 4,000,000 Shares with an exercise price of HK\$1.00) are higher than the Share Offer Price, the “see-through” price is negative and the outstanding Share Options are out of the money. As we consider the Share Offer Price to be not fair and not reasonable, the see-through price (which is based on the Share Offer Price) is also considered not fair and not reasonable so far as the Optionholders are concerned.

RECOMMENDATION

The Share Offer

It is noted that (i) the Group recorded net losses for FY2023 and 1H2024. In addition, as stated in sub-section headed “2. Future Plan and Prospects” above, we consider that the demand of automobiles in the PRC remains weak and we believe the business and operation environments of the Group will remain challenging; (ii) given the low liquidity of the Shares and the Company did not pay dividend for the past ten years ended FY2023 and for 1H2024, the Share Offer provides opportunities for the Independent Shareholders including those with significant shareholding interest to realise all of their investments in the Company at a fixed price; and (iii) the implied PSR of the Company (based on the Share Offer Price) is higher than the maximum PSR of the Market Comparables. However, having considered the principal factors and reasons as discussed above, in particular:

- (i) it is noted that the PRC Government had announced certain measures to promote the automobiles consumption in the PRC, details of which are set out in sub-section headed “2. Future Plan and Prospects” above;

LETTER FROM AMASSE CAPITAL

- (ii) it is noted the Offeror did not have direct experience in the fields of automobile dealership business and luxury goods trading, being the principal businesses of the Company and no details on the management was provided by the Offeror in the Offer Document;
- (iii) the Share Offer Price represented 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;
- (iv) the Share Offer Price of HK\$0.9 is at a price level lower than the daily closing prices of the Shares for 234 out of 279 trading days as quoted on the Stock Exchange during the Review Period. The Share Offer Price also represents a discount of approximately 18.2% to the average closing price per Share during the Review Period;
- (v) the Share Offer Price represented a discount of approximately 25.0% to the closing price of the Shares of HK\$1.20 as at the Latest Practicable Date; and
- (vi) the implied PBR of the Company (based on the Share Offer Price) is below the median and average of the PBRs of the Market Comparables,

we are of the opinion that the Share Offer Price is not fair and not reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Share Offer.

Nevertheless, the Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. In any event, the Independent Shareholders should note that there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period.

The Convertible Bond Offer

Notwithstanding that the determination of the proposed offer price for the Convertible Bonds is in accordance with the Takeovers Code, in view of (i) we consider the Share Offer Price to be not fair and not reasonable, the “see-through” consideration for each Convertible Bond (which is based on the Share Offer Price) is also considered not fair and not reasonable; and (ii) the CB Holders should be entitled to receive 100% principal of the unexercised Convertible Bonds on maturity which significantly exceeds the amount to be received upon the full acceptance of the Convertible Bond Offer, we are of the view that the offer price under the Convertible Bond Offer is not fair and not reasonable as far as the CB Holders are concerned. Accordingly, we recommend the Independent Board Committee to advise the CB Holders not to accept the Convertible Bond Offer.

LETTER FROM AMASSE CAPITAL

The Option Offer

Given that the exercise price of the outstanding Share Options (4,000,000 Shares with an exercise price of HK\$1.00) is higher than the Share Offer Price, the “see-through” price is negative and the outstanding Share Options are out of the money. As we consider the Share Offer Price to be not fair and not reasonable, the see-through price (which is based on the Share Offer Price) is also considered not fair and not reasonable so far as the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Optionholders not to accept the Option Offer.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholders, CB Holders and Optionholders who may require advice in relation to any aspect of the Response Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Amasse Capital Limited
Stephen Lau
Director

Note: Mr. Stephen Lau (“Mr. Lau”) is a licensed person registered with the SFC and a responsible officer of Amasse Capital to carry out Type 6 (advising on corporate finance) and a representative of Amasse Capital to carry out Type 1 (dealing in securities) regulated activities under the SFO. Mr. Lau is also a representative of Amasse Asset Management Limited licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and he has over 10 years of experience in the finance industry.

1. SUMMARY OF THE FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated financial results of the Group (including items of income and/or expense which are material) for the financial years ended 31 March 2021, 2022 and 2023 respectively, as extracted from the relevant published annual report of the Company for the relevant years, and the unaudited consolidated financial results of the Group for the six months ended 30 September 2022 and 2023 as extracted from the published interim report or interim results of the Company for the relevant periods.

	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue			
Automobile dealership	3,497,614	3,800,194	4,076,322
Others	500,042	524,293	449,440
Cost of sales	<u>(3,419,528)</u>	<u>(3,468,055)</u>	<u>(3,834,009)</u>
Gross profit	578,128	856,432	691,753
Other income, gain and losses:			
– Changes in fair value of investment property	(54,468)	(69,999)	(45,630)
– Income from advertising, exhibitions and other services	19,660	32,181	19,950
– Income from insurance brokerage	4,339	3,132	21,104
– Impairment of goodwill	(4,452)	(65,904)	(26,136)
– Impairment of other intangible assets	–	(8,732)	(26,866)
– Written off of other intangible assets	–	(44,638)	(196)
– Others	4,341	22,361	6,544
Impairment of trade receivables	(5,867)	–	–
Impairment of loan receivables and loan interest receivables	(12,663)	(56,390)	–
Selling and distribution costs			
– Employee benefit expenses	(48,771)	(44,072)	(37,874)
– Depreciation of property, plant and equipment	(74,934)	(85,729)	(91,138)
– Others	(284,554)	(374,667)	(338,217)
Administrative expenses			
– Employee benefit expenses	(35,382)	(26,120)	(24,294)
– Depreciation of property, plant and equipment	(3,050)	(5,414)	(7,982)
– Others	<u>(45,911)</u>	<u>(50,174)</u>	<u>(44,408)</u>
Operating profit	36,416	82,267	96,610
Finance costs	<u>(96,268)</u>	<u>(72,648)</u>	<u>(64,486)</u>
(Loss)/Profit before taxation	(59,852)	9,619	32,124
Income tax	<u>6,229</u>	<u>21,895</u>	<u>5,653</u>
(Loss)/Profit for the year	<u><u>(53,623)</u></u>	<u><u>31,514</u></u>	<u><u>37,777</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Attributable to:			
Owners of the Company	(53,127)	34,052	37,527
Non-controlling interests	<u>(496)</u>	<u>(2,538)</u>	<u>250</u>
(Loss)/Profit for the year	<u><u>(53,623)</u></u>	<u><u>31,514</u></u>	<u><u>37,777</u></u>
(Loss)/Earnings per share			
Basic	<u><u>HK\$(0.155)</u></u>	<u><u>HK\$0.1</u></u>	<u><u>HK\$0.112</u></u>
Diluted	<u><u>HK\$(0.155)</u></u>	<u><u>HK\$0.1</u></u>	<u><u>HK\$0.112</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss)/Profit for the year	<u>(53,623)</u>	<u>31,514</u>	<u>37,777</u>
Other comprehensive income for the year (net of tax):			
Item that will not be reclassified subsequently to profit or loss:			
– Change in fair value of equity investments at fair value through other comprehensive income recognised during the year	(162,723)	(200,322)	341,019
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of foreign operations	<u>(170,042)</u>	<u>73,884</u>	<u>133,793</u>
Total comprehensive income for the year	<u>(386,388)</u>	<u>(94,924)</u>	<u>512,589</u>
Attributable to:			
Owners of the Company	(373,152)	(92,483)	512,222
Non-controlling interests	<u>(13,236)</u>	<u>(2,441)</u>	<u>367</u>
Total comprehensive income for the year	<u>(386,388)</u>	<u>(94,924)</u>	<u>512,589</u>

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Revenue		
Sales of automobiles	1,504,350	1,871,507
Others	229,357	252,095
Cost of sales	<u>(1,519,674)</u>	<u>(1,786,369)</u>
Gross profit	214,033	337,233
Other income, gain and losses:		
– Changes in fair value of investment property	(31,506)	(22,545)
– Income from advertising, exhibitions and other services	10,339	8,825
– Income from insurance brokerage	1,334	1,415
– Impairment of goodwill	(7,437)	–
– Others	8,457	497
Impairment of loan receivables and loan interest receivables	–	(7,665)
Selling and distribution costs		
– Employee benefit expenses	(23,078)	(20,990)
– Depreciation of property, plant and equipment	(34,685)	(37,698)
– Others	(98,393)	(162,891)
Administrative expenses		
– Employee benefit expenses	(24,016)	(21,605)
– Depreciation of property, plant and equipment	(1,788)	(1,475)
– Others	<u>(22,161)</u>	<u>(23,623)</u>
Operating (loss)/profit	(8,901)	49,478
Finance costs	<u>(44,209)</u>	<u>(48,715)</u>
(Loss)/Profit before taxation	(53,110)	763
Income tax	<u>2,490</u>	<u>2,721</u>
(Loss)/Profit for the period	<u><u>(50,620)</u></u>	<u><u>3,484</u></u>

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Attributable to:		
Owners of the Company	(51,747)	6,934
Non-controlling interests	<u>1,127</u>	<u>(3,450)</u>
(Loss)/Profit for the period	<u>(50,620)</u>	<u>3,484</u>
(Loss)/Earnings per share		
Basic	<u>HK\$(0.15)</u>	<u>HK\$0.02</u>
Diluted	<u>HK\$(0.15)</u>	<u>HK\$0.02</u>

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period	(50,620)	3,484
Other comprehensive income for the period		
(net of tax):		
Item that will not be reclassified subsequently to profit or loss:		
– Change in fair value of equity investments at fair value through other comprehensive income recognised during the period	(20,974)	(187,040)
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	<u>(104,233)</u>	<u>(239,323)</u>
Total comprehensive income for the period	<u><u>(175,827)</u></u>	<u><u>(422,879)</u></u>
Attributable to:		
Owners of the Company	(176,551)	(401,993)
Non-controlling interests	<u>724</u>	<u>(20,886)</u>
Total comprehensive income for the period	<u><u>(175,827)</u></u>	<u><u>(422,879)</u></u>

There were no qualifications in the auditor's report of the Company's auditors, BDO Limited, on the consolidated financial statements of the Group for the financial years ended 31 March 2021, 2022 and 2023 respectively.

The Company confirms that no dividends had been declared by the Company for the financial years ended 31 March 2021, 2022 and 2023 and for the six months ended 30 September 2023.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Set out below are the latest published audited consolidated financial statements of the Group for the financial year ended 31 March 2023 contained in the 2023 Annual Report, which has been published on the websites of the Company (<http://www.hk970.com>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0721/2023072100890.pdf>).

(i) Consolidated Statement of Comprehensive Income for the year ended 31 March 2023

Please refer to pages 147 and 148 of the 2023 Annual Report.

(ii) Consolidated Statement of Financial Position as at 31 March 2023

Please refer to pages 149 and 150 of the 2023 Annual Report.

(iii) Consolidated Cash Flow Statement for the year ended 31 March 2023

Please refer to pages 151 to 153 of the 2023 Annual Report.

(iv) Consolidated Statement of Changes in Equity for the year ended 31 March 2023

Please refer to pages 154 and 155 of the 2023 Annual Report.

(v) Notes to the Audited Consolidated Financial Statements for the financial year ended 31 March 2023

Please refer to pages 156 to 298 of the 2023 Annual Report (including Significant Accounting Policies on pages 164 to 204 of the 2023 Annual Report).

3. UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP

The unaudited consolidated interim results of the Group for the six months ended 30 September 2023 and notes thereto are set out in the announcement of the Company dated 30 November 2023, which has been published on the websites of the Company (<http://www.hk970.com>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1130/2023113001814.pdf>).

4. INDEBTEDNESS

As at 30 September 2023, being the latest practicable date for the purpose of the statement of indebtedness, the Group had:

- (i) a total borrowings amounting to approximately HK\$879.8 million, details of which are as follows:
 - (a) bank loans of approximately HK\$356.5 million, all of which were secured by:
 - (1) corporate guarantees executed by the Company and its subsidiaries, guarantees executed by a director of the Group and his spouse, and a director of a PRC subsidiary, and/or guarantee of stated-owned enterprise of the PRC.
 - (2) pledge over land and buildings, investment property, pledged deposits and inventories of the Group with the aggregate carrying amounts of approximately HK\$876.3 million, approximately HK\$37.6 million, approximately HK\$15.8 million and approximately HK\$12.6 million respectively.
 - (b) other loans of approximately HK\$523.3 million, of which:
 - (1) HK\$10 million was unsecured and unguaranteed.
 - (2) HK\$513.3 million was secured by:
 - (aa) corporate guarantees executed by the Company and its subsidiaries, guarantees executed by a director of the Group and his spouse, and a director of a PRC subsidiary, and/or guarantee of stated-owned enterprise of the PRC.
 - (bb) pledged deposits and inventories of the Group with the aggregate carrying amounts of approximately HK\$31.7 million and approximately HK\$513.4 million respectively.
- (ii) lease liabilities of approximately HK\$308.7 million.
- (iii) convertible bonds of approximately HK\$9.8 million (liability component).

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 September 2023, being the latest practicable date for the purpose of the statement of indebtedness, the Group did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, or material contingent liabilities.

5. MATERIAL CHANGE

Save as disclosed in the Interim Results 2024 for the six months ended 30 September 2023 (“1H2024”) including that,

- (i) Revenue of the Group for 1H2024 was approximately HK\$1,733.7 million, representing a decrease of approximately 18.4% from that of approximately HK\$2,123.6 million for the six months ended 30 September 2022 (“1H2023”). Such decrease was mainly due to the decrease in unit sold and average selling price of automobiles products due to the continuing weak automobile market sentiment and keen competition.
- (ii) Gross profit of the Group for 1H2024 was approximately HK\$214.0 million, representing a decrease of approximately 36.5% from that of approximately HK\$337.2 million for 1H2023, and gross profit margin for 1H2024 was approximately 12.3%, decrease for 3.6 percentage points when compared to that of approximately 15.9% for 1H2023. The decrease in gross profit was mainly due to decrease in gross profit margin of the sales of automobiles due to the continuing weak automobile market sentiment and keen competition and decrease in incentive bonuses offered by the automobile suppliers.
- (iii) Selling and distribution costs of the Group for 1H2024 was approximately HK\$156.2 million, representing a decrease of approximately 29.5% from that of approximately HK\$221.6 million for 1H2023. Such decrease was mainly due to decrease in marketing and promotion expenses during 1H2024.
- (iv) Loss attributable to the owners of the Company for 1H2024 was approximately HK\$51.7 million, as compared to a profit attributable to the owners of the Company for 1H2023 of approximately HK\$6.9 million. Such change was mainly due to the decrease in revenue and gross profit, which was partly offset by the decrease in selling and distribution costs as mentioned above.

- (v) On 25 September 2023, the Company received notice from the solicitors of the Offeror and Pro Honor informing the Company that they were about to commence legal proceedings against the Company and 8 other defendants including the then existing Directors in the High Court of Hong Kong, and were also seeking an urgent injunction against the Defendants, including the Company on even date. The Company subsequently received notice from the said solicitors informing the Company that the High Court granted the Interim Injunction Order which would remain in force up to and including 29 September 2023.

On the same day of 25 September 2023 and on the following day of 26 September 2023, the Originating Summons and the Continuation Summons were filed respectively.

On 29 September 2023, the High Court made directions for the further conduct of the Continuation Summons, including, *inter alia*, that the Continuation Summons be adjourned for substantive argument on a date not before 8 December 2023, with 1 day reserved upon certain undertakings provided by the Company.

On 10 October 2023, the Court made an Order in terms of the Consent Summons of the parties (other than the 7th and 8th Defendants), which granted leave to the plaintiffs to amend the Originating Summons and provided for directions for the further conduct of the Amended OS. As part of the said Order, the Amended OS was adjourned to a Case Management Conference to be fixed not before the determination of the Continuation Summons, with 30 minutes reserved.

Please refer to the announcements of the Company dated 19 September 2023, 26 September 2023, 29 September 2023, 11 October 2023 and 13 October 2023 for further details,

the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group subsequent to 31 March 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENTS

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Response Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statements in this Response Document misleading.

The information contained in this Response Document relating to the Offers, the Offeror and his Concert Parties has been extracted from or based on the Offer Document. The only responsibility accepted by the Directors in respect of such information is for the correctness and fairness of the extraction of such information and/or its reproduction or presentation.

2. SHARE CAPITAL

As at the Latest Practicable Date,

- (i) the authorized share capital of the Company was HK\$500,000,000 divided into 15,625,000,000 Shares.
- (ii) the issued share capital of the Company was HK\$12,483,906.9 divided into 390,122,090 Shares.

All issued Shares rank *pari passu* in all respects with each other, including in particular as to rights to dividend, voting and return on capital.

Since 31 March 2023, being the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, the Company has issued an aggregate of 48,125,000 Shares pursuant to the exercise of a total of 18,125,000 Share Options under the 2012 Share Option Scheme and 30,000,000 Share Options under the 2022 Share Option Scheme respectively.

Other than the Shares in issue, as at the Latest Practicable Date, the Company had:

- (a) a total of 4,000,000 outstanding Share Options with rights to subscribe for a total of 4,000,000 new Shares; and
- (b) outstanding Convertible Bonds with an aggregate principal amount of HK\$10,000,000 convertible into 2,500,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company had no outstanding Shares, options, warrants, derivatives or other securities which are convertible or exchangeable into Shares or other types of equity interests.

3. DISCLOSURE OF INTERESTS

Interests and/or short positions of Directors and chief executive in the shares, underlying shares and/or debentures

As at the Latest Practicable Date, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept by the Company under section 352 of the SFO; (ii) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) required to be disclosed pursuant to the requirements of the Takeovers Code, were as follows:

Name of Director/ chief executive	Company/Name of Associated Corporation	Capacity	Total Number of Ordinary Shares ⁽¹⁾	Approximate percentage of Shareholding ⁽²⁾
Mr. Zheng Hao Jiang	the Company	Beneficial owner and interest in a controlled corporation	4,065,000 (L) ⁽³⁾	1.04%
Mr. Zhao Xiaodong	the Company	Beneficial owner	3,400,000 (L)	0.87%
Mr. Zhu Lei	the Company	Beneficial owner	3,400,000 (L)	0.87%
Mr. Choy Sze Chung, Jojo	the Company	Beneficial owner	362,500 (L) ⁽⁴⁾	0.09%
Mr. Lam Kwok Cheong	the Company	Beneficial owner	300,000 (L) ⁽⁵⁾	0.08%
Mr. Gao Yu	the Company	Beneficial owner	300,000 (L)	0.08%

Notes:

- The letter "L" denotes the Director's and chief executive's long position in such securities.
- Based on the total number of issued Shares of 390,122,090 as at the Latest Practicable Date.
- It included 665,000 Shares held by Keyking Mission Group Co., Ltd, a company wholly owned by Mr. Zheng Hao Jiang. Accordingly, Mr. Zheng Hao Jiang was deemed to be interested in these Shares.
- It included Mr. Choy Sze Chung, Jojo's interest in 62,500 Shares and the Share Options to subscribe for 300,000 Shares under the 2022 Share Option Scheme (none of which has been exercised as at the Latest Practicable Date).

5. It included Mr. Lam Kwok Cheong's interest in the Share Options to subscribe for 300,000 Shares under the 2022 Share Option Scheme (none of which has been exercised as at the Latest Practicable Date).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; (ii) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code; or (iv) required to be disclosed pursuant to the requirements of the Takeovers Code.

Holdings and Dealings in the Relevant Securities of the Company

As at the Latest Practicable Date:

- (i) Save that the Shares and the Share Options of the Directors as disclosed in the preceding sub-section headed "Interests and/or short positions of Directors and chief executive in the shares, underlying shares and/or debentures" (including the Notes thereto) in this Appendix II, neither the Company nor any Director had any interest in the Relevant Securities of the Company.
- (ii) Save that:
 - (a) Mr. Zheng Hao Jiang was granted 3,400,000 Share Options on 4 August 2023 pursuant to the 2022 Share Option Scheme and that the said 3,400,000 Share Options were fully exercised on 15 September 2023 at the exercise price of HK\$1 per Share;
 - (b) Mr. Zhao Xiaodong was granted 3,400,000 Share Options on 4 August 2023 pursuant to the 2022 Share Option Scheme and that the said 3,400,000 Share Options were fully exercised on 15 September 2023 at the exercise price of HK\$1 per Share;
 - (c) Mr. Zhu Lei was granted 3,400,000 Share Options on 4 August 2023 pursuant to the 2022 Share Option Scheme and that the said 3,400,000 Share Options were fully exercised on 15 September 2023 at the exercise price of HK\$1 per Share;

- (d) Ms. Cheng Bin, who has been appointed as an executive Director since 13 November 2023, fully exercised the 3,375,000 Share Options granted to her pursuant to the 2012 Share Option Scheme at the exercise price of HK\$1.6 per Share and that she disposed of all the 3,375,000 Shares at a consideration of HK\$1.25 per Share on 6 November 2023;
- (e) Mr. Gao Yu was granted 300,000 Share Options on 4 August 2023 pursuant to the 2022 Share Option Scheme and that the said 300,000 Share Options were fully exercised on 4 December 2023 at the exercise price of HK\$1 per Share;
- (f) Mr. Choy Sze Chung, Jojo was granted 300,000 Share Options on 4 August 2023 pursuant to the 2022 Share Option Scheme; and
- (g) Mr. Lam Kwok Cheong was granted 300,000 Share Options on 4 August 2023 pursuant to the 2022 Share Option Scheme,

no Directors had dealt in the Relevant Securities of the Company during the Relevant Period.

- (iii) no Relevant Securities of the Company were owned or controlled by a subsidiary of the Company, a pension fund (if any) of the Company or of a subsidiary of the Company, or by a person who is presumed to be “acting in concert” with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code but excluding exempt principal traders and exempt fund managers, and none of them (if any) had dealt in any Relevant Securities of the Company during the Relevant Period.
- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code.
- (v) no Relevant Securities of the Company were managed on a discretionary basis by any fund managers (other than exempt fund managers) (if any) connected with the Company, and none of them (if any) had dealt in any Relevant Securities of the Company during the Relevant Period.

- (vi) each of Mr. Zheng Hao Jiang, Mr. Zhao Xiaodong, Mr. Zhu Lei, Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong and Mr. Gao Yu, being the Directors with shareholding interests in the Company, had indicated that they intend not to accept the Offers in respect of the Shares and/or Share Options (as the case may be) held by them.
- (vii) none of the Company nor any of the Directors had borrowed or lent any Relevant Securities of the Company during the Relevant Period.

4. LITIGATION

As at the Latest Practicable Date, save as disclosed below, neither the Company nor its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group:

- (i) As disclosed in paragraph (b) of the section headed “Reasons for the Offers” in the Response Announcement, on 25 September 2023, the Offeror and Pro Honor sought and obtained the Interim Injunction Order, and filed the Originating Summons in respect of the CB Placing.

On the following day, the Offeror and Pro Honor further filed the Continuation Summons.

Pursuant to the directions of the High Court made on 29 September 2023, the Continuation Summons has been adjourned for substantive argument on a date not before 8 December 2023, with 1 day reserved.

The Originating Summons filed on 25 September 2023 was amended (i.e. the Amended OS) pursuant to an order made by the High Court on 10 October 2023, which order further provided that the Amended OS be adjourned to a case management conference to be fixed not before the determination of the Continuation Summons, with 30 minutes reserved.

Despite the lapse of the CB Placing on 10 October 2023, the Amended OS and the Continuation Summons are ongoing.

(ii) As disclosed in paragraph (d) of the section headed “Reasons for the Offers” in the Response Announcement, on 25 September 2023, the same day of the Interim Injunction Order, the Offeror and Pro Honor jointly issued common law derivative action on behalf of the Company and multiple derivative action on behalf of two (2) of the Company’s subsidiaries at the High Court against all of the then existing Directors, with the Company and the said subsidiaries named as the defendants thereto. As at the Latest Practicable Date, neither the Company nor its subsidiaries have been served with the relevant Writ of Summons.

(iii) As disclosed in the Interim Results 2024, on 20 April 2022, Forwell commenced legal proceedings at the High Court to recover a loan with an outstanding principal amount of HK\$58 million, which loan was entered into on 4 March 2021 and was secured by a personal guarantee.

Subsequently, the parties reached a settlement on the matter. Pursuant to a tomlin order filed on 8 August 2022, the parties agreed to stay the legal proceedings and a deed of settlement was executed between the parties on the same day.

As the borrower failed to make payments in accordance with the settlement reached between the parties (save for partial payments in the aggregate sum of HK\$24,320,000), Forwell has resumed the legal proceedings against the borrower and the guarantor in the High Court, and a hearing has been fixed on 20 December 2023 at the High Court.

(iv) As disclosed in the Interim Results 2024, on 29 April 2022, Forwell commenced legal proceedings at the High Court to recover a loan with an outstanding principal amount of HK\$32 million, which loan was entered into on 22 March 2021 and was secured by a personal guarantee.

On 6 December 2022 and 17 February 2023, Forwell has obtained judgments against the borrower and the guarantor respectively. Forwell is in the course of enforcing the relevant judgements, and as part of the enforcement action, has filed a bankruptcy petition against the borrower in the High Court on 19 September 2023. The said petition will be heard on 22 December 2023.

(v) As disclosed in the Interim Results 2024, a Beijing subsidiary of the Company, namely 盛耀蔚來(北京)國際文化發展有限公司 (San Sparkle (Beijing) International Culture Development Limited*) has commenced legal proceedings in Beijing, PRC against two film producers to recover its investment principal and the relevant investment return of approximately RMB28 million. The hearing already took place in July 2023 and as at the Latest Practicable Date, the decision of the court was still pending.

* For identification purpose only

5. MATERIAL CONTRACTS

Save as disclosed below, there were no contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) which had been entered into by the Company or any of its subsidiaries within the two years immediately preceding the commencement date of the Offer Period and up to the Latest Practicable Date, which are or may be material in relation to the business of the Company as a whole:

- (i) The Equity Transfer Agreement dated 8 December 2021 entered into between 必歐在線文化科技有限公司 (BO Online Culture Technology Limited*), a wholly-owned subsidiary of the Group as purchaser and 北京光中裝飾工程有限公司 (Beijing Guangzhong Decoration Engineering Co., Ltd.*) as vendor in relation to the acquisition of 70.4% equity interest in a PRC company at a consideration of RMB220 million.
- (ii) The Equity Transfer Agreement dated 10 January 2023 entered into between the same wholly-owned subsidiary of the Group, 必歐在線文化科技有限公司 (BO Online Culture Technology Limited*) as purchaser and 北京光中裝飾工程有限公司 (Beijing Guangzhong Decoration Engineering Co., Ltd.*) as vendor in relation to the acquisition of 26.1% equity interest in the same PRC company as referred to in subparagraph (i) above at a consideration of RMB81.56 million upon exercise the pre-emptive rights over the said equity interest.
- (iii) The Placing Agreement dated 9 September 2022 entered into between the Company as issuer and Elstone Securities Limited as placing agent in relation to the conditional placing of up to 33,625,000 Shares at the price of HK\$1.488 per Share, which agreement was terminated on 19 October 2022 by mutual agreement of the parties.
- (iv) The CB Placing Agreement dated 19 September 2023 entered into between the Company as issuer and Silverbricks Securities Company Limited as placing agent in relation to the CB Placing, which agreement lapsed on 10 October 2023.

6. ARRANGEMENT AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (i) no benefit was or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers.
- (ii) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

* For identification purpose only

- (iii) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

7. UNDERSTANDING, ARRANGEMENT, AGREEMENT OR SPECIAL DEAL

As at the Latest Practicable date, there was no understanding, arrangement or agreement or special deal between any Shareholder on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies as directors which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period:

- (i) As disclosed in the announcement made by the Company on 13 November 2023, Ms. Cheng Bin has entered into a service contract on 13 November 2023 with the Company for a fixed period of three years until 12 November 2026, renewable for one year, and subject to the retirement by rotation and re-election in accordance with the Bye-laws. The service contract has a notice period of 6 months during the initial three-year term. Ms. Cheng will be entitled to a director's fee of HK\$360,000 per annum and a housing allowance of RMB4,000 per month under the said service contract.
- (ii) As disclosed in the announcement made by the Company on 13 November 2023, Ms. Liu Wenjing has entered into an appointment letter on 13 November 2023 with the Company for a fixed period of two years until 12 November 2025, renewable for one year, and subject to the retirement by rotation and re-election in accordance with the Bye-laws. The service contract has a notice period of 3 months during the initial two-year term. Ms. Liu will be entitled to a director's fee of HK\$240,000 per annum.
- (iii) Mr. Choy Sze Chung, Jojo has entered into a letter of re-appointment with the Company for a term of two years from 12 October 2023 to 11 October 2025, renewable for one year, and subject to retirement by rotation and re-election in accordance with the Bye-laws. The service contract has a notice period of 3 months during the initial two-year term. Mr. Choy will be entitled to a director's fee of HK\$240,000 per annum, same as the remuneration to which he was entitled prior to the letter of re-appointment.

- (iv) Mr. Lam Kwok Cheong has entered into a letter of re-appointment with the Company for a term of two years from 12 October 2023 to 11 October 2025, renewable for one year, and subject to retirement by rotation and re-election in accordance with the Bye-laws. The service contract has a notice period of 3 months during the initial two-year term. Mr. Lam will be entitled to a director's fee of HK\$240,000 per annum, same as the remuneration to which he was entitled prior to the letter of re-appointment.
- (v) Mr. Gao Yu has entered into a letter of re-appointment with the Company for a term of two years from 10 October 2023 to 9 October 2025, renewable for one year, and is subject to retirement by rotation and re-election in accordance with the Bye-laws. The service contract has a notice period of 3 months during the initial two-year term. Mr. Gao will be entitled to a director's fee of HK\$240,000 per annum, same as the remuneration to which he was entitled prior to the letter of re-appointment.

None of the above service contracts are subject to any variable remunerations.

9. EXPERT AND CONSENT

The following are the qualifications of the expert contained in this Response Document:

Name	Qualification
Amasse Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the Independent Financial Adviser to the Independent Board Committee in respect of the Offers

Amasse Capital has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion herein of its letter, and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, Amasse Capital does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

- (i) The registered office of the Company is situated at Claredon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at 23/F, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong.
- (ii) The share registrar of the Company is Tricor Secretaries Limited with its address at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

- (iii) The registered office of Amasse Capital is situated at Room 1201, Prosperous Building, 48-52 Des Voeux Road Central, Hong Kong.
- (iv) The English text of this Response Document shall prevail over their respective Chinese text in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) on the website of the Company (<http://www.hk970.com>); (ii) on the website of the SFC (www.sfc.hk); and (iii) at the principal place of business of the Company in Hong Kong at 23/F, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong during normal business hours from 9:30 a.m. to 6:00 p.m. (except for Saturdays, Sundays and public holidays), from the date of this Response Document for so long as the Offers remain open for acceptance:

- (i) the memorandum of association of the Company and the Bye-laws currently in force;
- (ii) the annual reports of the Company for each of the financial years ended 31 March 2022 and 31 March 2023;
- (iii) the Interim Results 2024;
- (iv) the letter from the Board, the text of which is set out on pages 8 to 28 of this Response Document;
- (v) the letter from the Independent Board Committee, the text of which is set out on pages 29 and 30 of this Response Document;
- (vi) the letter from the Independent Financial Adviser, the text of which is set out on pages 31 to 57 of this Response Document;
- (vii) the material contracts referred to in the section headed “Material Contracts” in this Appendix II;
- (viii) the directors service contracts referred to in the section headed “Directors’ Service Contracts” in this Appendix II;
- (ix) the written consent referred to in the section headed “Expert and Consent” in this Appendix II; and
- (x) this Response Document.