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

(formerly known as Sparkle Roll Group Limited 耀萊集團有限公司)*
(Incorporated in Bermuda with limited liability)

(Stock Code: 970)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
THE ANNUAL REPORT FOR THE YEAR ENDED
31 MARCH 2022**

Reference is made to the annual report of New Sparkle Roll International Group Limited (the “**Company**”) for the year ended 31 March 2022 (the “**Annual Report**”). Unless the content requires otherwise, terms used in this announcement shall have the same meanings as defined in the Annual Report.

The Board wishes to provide further information regarding the Annual Report as follows:

LOAN IMPAIRMENT LOSSES

As stated in the Annual Report, the Company recognised a provision for impairment losses of loan receivables and loan interest receivables of approximately HK\$56.4 million for the year ended 31 March 2022.

The impairment arose from two borrowers, namely HK Huibo International Trading Limited and Mr. Tsui Ngai Eddie, who failed to repay the outstanding principal amounts and the accrued interests on the respective maturity dates. The Group has commenced legal actions against the borrowers and the guarantors of the loans by Writ of Summons filed in the High Court of Hong Kong with a view to recovering the loans and other losses and damages. Please refer to the announcements issued by the Company on 4 and 22 March 2021, and 1 and 29 April 2022 for the reasons and circumstances leading to the grant of such loans, the identity of the borrowers and its ultimate beneficial owner, details of collaterals and guarantees and other terms of the related loan agreements.

Value of inputs used and the basis and assumptions adopted in the valuation

As stated in the Annual Report, the management of the Group performed an impairment analysis with reference to the expected credit loss assessment performed by Masterpiece Valuation Advisory Limited (“**Masterpiece**”), an independent firm professionally qualified valuer by using probability-weighted loss default model.

Reasons for changes in the value of inputs and assumptions from those previously adopted

According to Masterpiece, as both borrowers defaulted and failed to repay their loans on the respective maturity dates, the credit rating of the corporate borrower was considered to be not applicable to determine its probability of default (“**PD**”). Since both borrowers defaulted, 100% PD was applied to the expected credit loss calculation of them.

Calculation of the loan impairment losses

The calculation of the impairment losses on the loan receivables and the loan interest receivables of HK\$56,390,000 (of which HK\$55,472,000 is the aggregate loan receivables and HK\$918,000 is the aggregate loan interest receivables) for the two loans was based on the exposure of default multiplied by PD and multiplied the loss given default.

GOODWILL IMPAIRMENT LOSSES

As stated in the Annual Report, the Company recognised a provision for impairment loss of goodwill of approximately HK\$65.9 million for the year ended 31 March 2022. Such impairment was attributable to the property management business of the Group. The events leading to such impairment losses are summarised as follows:

(i) Significant increase in rental cost

In October 2021, the Company was informed that the rent for a commercial property located in Beijing, the PRC (which is operated by the Group for its major property rental service business) should be increased significantly with effect from 5 June 2021. A supplemental lease agreement was entered into between the lessors and the Group on 26 October 2021. For more details, please refer to the announcement issued by the Company on 26 November 2021. The rental cost of such property was approximately RMB17.6 million per annum whilst the latest rental cost increased to approximately RMB31.0 million per annum after the rental increase. Such increase in rental cost has contributed to the decrease of the Group's recoverable amount of the cash-generating unit ("CGU") of the property management business.

(ii) Expiry of a lease of a property

The lease of another commercial property located in Beijing, the PRC (which was operated by the Group for its property rental service business before the expiry of the lease) expired on 31 March 2022. Negotiation for the renewal of such lease between the lessor and the Group was not successful. The revenue generated previously under the lease was approximately RMB6.3 million per annum. Such loss of the sub-lease project has contributed to the decrease of the Group's recoverable amount of the CGU of the property management business.

(iii) Decrease in property management services income

In September 2021, the Company was informed that one of the property management contracts of the Group for commercial properties located in Beijing, the PRC (which was operated by the Group for its property management service business) was early terminated due to the change in the ownership of the properties. Such early termination led to a significant decrease in the projected property management services income and hence has contributed to the decrease of the Group's recoverable amount of the CGU of the property management business.

Value of inputs used and the basis and assumption adopted in the valuation

As stated in the Annual Report, the management of the Group performed a value-in use calculation by reference to a business valuation performed by the management and CHFT Advisory and Appraisal Ltd. (“CHFT”), an independent firm professionally qualified valuer using income approach.

According to CHFT, there is no significant change in the value of valuation perimeters from those previously adopted.

Calculation of the goodwill impairment losses

As at 31 March 2022, based on the result of the assessment, the management of the Group determined that the recoverable amount of the CGU of approximately HK\$350,274,000 is lower than the carrying amount of approximately HK\$416,992,000. The impairment amount has been allocated to each category of goodwill, property, plant and equipment such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal of approximately HK\$278,117,000 and its value in use of approximately HK\$350,274,000. Based on the value in use calculation and the allocation, impairment losses of approximately HK\$65,904,000 and the exchange difference of approximately HK\$814,000 have been recognised against the carrying amount of goodwill and no class of asset other than goodwill is impaired.

The above additional information provided in this announcement does not affect other information contained in the Annual Report and save as disclosed above, the contents in the Annual Report remain unchanged.

By Order of the Board
New Sparkle Roll International Group Limited
Zheng Hao Jiang
Co-Chairman

Hong Kong, 5 September 2022

As at the date of this announcement, the Company has four executive Directors and five independent non-executive Directors. The executive Directors are Mr. Zheng Hao Jiang, Mr. Ma Chao, Mr. Zhao Xiaodong and Mr. Zhu Lei. The independent non-executive Directors are Mr. Choy Sze Chung, Jojo, Mr. Lam Kwok Cheong, Mr. Gao Yu, Mr. Liu Hongqiang and Mr. Liu Xiaoyi.

* *For identification purpose only*