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VESTATE GROUP HOLDINGS LIMITED

國投集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1386)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

Reference is made to the announcement of Vestate Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 16 July 2020, in relation to the annual results of the Group for the year ended 31 March 2020 (the “**2020 Annual Results Announcement**”) and the annual report of the Group for the year ended 31 March 2020 (the “**2020 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2020 Annual Results Announcement and 2020 Annual Report.

In addition to the information provided in the 2020 Annual Results Announcement and 2020 Annual Report, the Board would like to provide further information in relation to the audit qualification issued by the auditors of the Company (the “**Auditors**”) in relation to the consolidated financial statements of the Group for the year ended 31 March 2020.

DETAILS OF THE AUDIT QUALIFICATION

(i) Opening balances and corresponding figures

The Auditors are unable to carry out satisfactory audit procedures on the opening balances as to whether the 2019 Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance and cash flows for the year then ended.

The Auditors have requested for various documentary evidences to substantiate that (a) the audit qualifications made by the predecessor auditor can be satisfactorily resolved and (b) no adjustments are required to be made to the opening balances and corresponding figures.

(ii) Going concern

The Auditors are unable to form an opinion as to whether it is appropriate for the preparation of the consolidated financial statement on a going concern basis as the Auditors are unable to obtain adequate and appropriate documentary evidences to satisfy themselves in this respect.

The Auditors have requested for documentary evidence to substantiate that the Group is able to obtain additional funds to meet its financial obligations.

(iii) Recoverability of loans receivable

The Auditors stated that they were unable to obtain sufficient appropriate audit evidence regarding the recoverability of the loans receivable of approximately HK\$148,312,000 as at 31 March 2020.

The Auditors have requested for documentary evidence to substantiate that the borrowers are able to settle the outstanding loans.

(iv) Interests payable on convertible bond and corporate bond

The Auditors stated that they were unable to obtain sufficient appropriate audit evidence to substantiate that the interests payable on convertible bond and corporate bond are appropriately recognised in the consolidated financial statements.

The Auditors have requested for documentary evidence for the satisfactory explanations of the difference between the amount of interests payable in the audit confirmations signed by the bondholders and the amounts of such interests calculated based on the terms of the relevant agreements and correspondences.

The Company has provided the Auditors access to all information of which is relevant to the audit evidence requested by the auditors in relation to each of the audit qualifications, such as records, documentations and other matters. The Company has granted access to the Auditors to obtain the necessary audit evidence, and provided discussions and answers to the queries set by the Auditors.

THE COMPANY AND AUDIT COMMITTEE'S VIEW ON THE AUDIT QUALIFICATION AND PROPOSED ACTION PLAN

(i) Opening balances and corresponding figures

The Company is of the view that the audit qualification shall only affect the opening balances and corresponding figures of the years ended 31 March 2020 and 31 March 2019 and such audit qualification shall have no effect to the Group's consolidated statement of financial position at 31 March 2021 and the consolidated financial performance and the consolidated cash flows of the Group for the year ending 31 March 2021. From the Company's point of view, this audit qualification will no longer be carried forward to accounting periods subsequent to the year ending 31 March 2021. As such, that audit qualification will have no effect on the Company's consolidated financial statements for the years subsequent to 31 March 2021. The Audit Committee concurred with the views of the Company.

(ii) Going concern

The Company has implemented various measures to address the Group's ability to continue as a going concern. The Company is currently in negotiation with the bondholders proposing the suggestion of issuing new shares to settle outstanding debts. In addition, the Company will continue to explore further funding sources by continuing to approach banks, financial institutions and potential investors to raise additional capital by way of long term debt or equity fund-raising to reinforce the Company's financial position. The Audit Committee concurred with the views of the Company.

(iii) Recoverability of loans receivable

The Company is of the view that the borrowers under the loan agreements are capable to repay the outstanding amounts in full based on (i) the continuing repayments made by the borrowers of interests on loans receivable and (ii) due diligence on the borrowers previously performed by the Group.

The Company has signed agreements with the borrowers to ensure all loan repayments to be made on or before the maturity date around June 2021. The Company will closely monitor the timeframe of the repayments and will follow up with the borrowers from time to time. At worst case scenario, the Company may resort in case of need, in full provision to write off the loans receivable for the next financial year. By writing off the loan receivable, it will enable the Company to remove the audit disclaimer in the next financial year. If such unfortunate circumstances arise, the Company will take action and commence legal proceeding against the borrowers. However, the Company is optimistic that repayments will be settled in time, and the audit result for the financial year of 2020–2021 will reflect the settlement of the loan repayments. The Audit Committee concurred with the views of the Company.

(iv) Interests payable on convertible bond and corporate bond

The Company is of the view that the interests payable amount is accrued according to the figures in the confirmation signed by the bondholders. The Company will continue to communicate with the bondholders to obtain the audit evidence as requested by the Auditors.

In addition, the Company is currently in the course of negotiation with the bondholders to renew the agreements, and has offered suggestions of extending the term of convertible bonds, suggesting the exercise of conversion rights, and issuing specific mandate to settle outstanding debts through creation and issuance of new shares. Ongoing communication has been conducted with the bondholders, and is currently awaiting on the bondholders to assess the proposed suggestions, and is expecting the bondholders to arrive at a conclusion prior to the end of the current financial year.

The Company is of the view that by booking the interest as per the bond agreements (which is higher than the interest agreed between the parties without sufficient audit evidence), it will align with the Auditors' perspective, and provide enough audit evidence to remove the audit disclaimer in the next financial year. The Audit Committee concurred with the views of the Company.

The Company has discussed the action plan with the Auditors, and the Auditors are of the view that the action plan is feasible. The Auditors had also been acknowledged of the worst case scenario in regards to making full provision to write off the loans receivable and booking the interest as per the bond agreement and will assess the financial impact to the Group's financial statements in case that the worst case scenario has taken place.

By Order of the Board
Vestate Group Holdings Limited
ZHU Xiaojun
Chairman

Hong Kong, 14 September 2020

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. ZHU Xiaojun
Mr. KANG Jianming
Ms. CAI Jiaying
Mr. YIN Wansun

Independent non-executive Directors:

Ms. ZHAO Hong
Mr. CHAU Wai Hing
Mr. YU Lei
Mr. CHAI Guoqiang