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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL
OF THE ENTIRE ISSUED SHARE CAPITAL OF ARTEMIS
FOOTWEAR LIMITED AND 50% OF THE TOTAL ISSUED
SHARE CAPITAL OF WALKER SHOP FOOTWEAR LIMITED
AND
PROPOSED CHANGE OF AUDITORS**

THE DISPOSAL

The Board is pleased to announce that on 24 May 2019 (after trading hours of the Stock Exchange), the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Artemis Footwear Limited and 50% of the total issued share capital of Walker Shop Footwear Limited at the consideration of HK\$2,500,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction on the part of the Company and is subject to reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

PROPOSED CHANGE OF AUDITORS

The Board announces that, subject to the passing of the relevant resolutions at the EGM, BDO Limited shall be removed as the auditors of the Group and Elite Partners CPA Limited shall be appointed as the new auditors of the Group to fill the vacancy arising from the removal of BDO Limited and hold office until the conclusion of the next annual general meeting of the Company. The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Proposed Removal and the Proposed Appointment. A circular containing, among other matters, further information on the Proposed Removal and the Proposed Appointment, together with a notice convening the EGM, is expected to be despatched to the Shareholders on or before 31 May 2019.

The Board is pleased to announce that on 24 May 2019 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares, representing the total issued share capital of the Artemis Footwear Limited and 50% of the entire issued share capital of Walker Shop Footwear Limited at the consideration of HK\$2,500,000. Further details of the Disposal Agreement are set out below.

THE DISPOSAL AGREEMENT

Date: 24 May 2019 (after trading hours of the Stock Exchange)

Parties: (1) Genius Earn Investments Limited, as vendor; and
(2) Liang Che Chia, as purchaser.

The Vendor, a wholly-owned subsidiary of the Company, is a company incorporated in the BVI with limited liability and is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is an Independent Third Party.

Consideration

The Consideration for the sale and purchase of the Sale Shares shall be HK\$2,500,000. The Consideration shall be payable in full by the Purchaser to the Vendor in cash within two Business Days after the date of the Disposal Agreement.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms by taking into account (i) the unaudited total net liabilities value of the Disposal Group as at 31 March 2019; and (ii) the estimated effect of the Deed of Novation as at 31 March 2019.

Having considered the above factors, the Board considers that the Consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon and subject to the following conditions:

1. all necessary consents and approval required to be obtained on the part of the Vendor and the Disposal Group in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained;
2. all necessary consents and approval required to be obtained on the part of the Purchaser in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained;
3. the Purchaser having completed its due diligence review to be conducted in relation to the Disposal Group and be satisfied with the results;

4. the entering into of the Deed of Novation between the Vendor and Walker Shop Footwear Limited; and
5. the warranties and representations contained in the Disposal Agreement remaining to be true and accurate in all material aspects.

The Purchaser may in its absolute discretion at any time waive the conditions set out in (3) and (5) above. None of the other conditions set out above are capable of being waived by the Vendor and the Purchaser.

If the conditions set out above have not been satisfied (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, the Disposal Agreement shall cease and determine and the Vendor shall refund in full the Consideration (without interest) to the Purchaser and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place within three Business Days (or such other date as agreed by the parties to the Disposal Agreement) after the satisfaction or waiver of all the conditions precedent of the Disposal Agreement.

Upon Completion, (i) Artemis Footwear Limited will cease to be a wholly owned subsidiary of the Company and its financial results will no longer be consolidated in the Group's financial statements; and (ii) Walker Shop Footwear Limited will become a 50%-owned subsidiary of the Company and its financial results will continue to be consolidated in the Group's financial statements.

INFORMATION ON THE DISPOSAL GROUP

Walker Shop Footwear Limited is a company incorporated in Hong Kong and is principally engaged in the retailing of footwear in Hong Kong. As at the date of this announcement, it owns the entire equity interest in 奧卡索國際貿易(上海)有限公司 (Billion International Trading (Shanghai) Company Limited), a company established in the PRC and is principally engaged in the retailing of footwear in the PRC.

Artemis Footwear Limited (艾迪米斯鞋業有限公司) is a company incorporated in Hong Kong and is principally engaged in the retailing of footwear in Taiwan. It has a branch office in Taiwan in the name of 香港艾迪米斯鞋業有限公司台灣分公司 (for transliteration purpose only, Hong Kong Artemis Footwear Company Limited Taiwan Branch Office).

Set out below is a summary of the key financial data of the Disposal Group extracted from the audited consolidated financial statements of the Group for the years ended 31 March 2017 and 2018 and the unaudited consolidated management accounts of the Group for the year ended 31 March 2019:

	for the year ended 31 March 2017	for the year ended 31 March 2018	for the year ended 31 March 2019 (unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	127,175	95,588	57,548
Net loss before tax	(207,555)	(274,203)	(26,829)
Net loss after tax	(207,555)	(274,203)	(26,829)

As at 31 March 2019, the unaudited total net liabilities value of the Disposal Group based on the unaudited financial statements of the Disposal Group prepared in accordance with the generally accepted accounting principles in Hong Kong was approximately HK\$23,336,000.

FINANCIAL EFFECT OF THE DISPOSAL

Based on the preliminary assessment on the unaudited combined financial information of the Disposal Group as at 31 March 2019, and taken into account the estimated net effect of the Deed of Novation, the adjusted net asset value of the Disposal Group was approximately HK\$2,583,000, and the Group is estimated to record a loss of approximately HK\$83,000 as a result of the Disposal. The actual gain or loss to be recorded by the Group is subject to final audit to be performed by the auditors of the Company. The proceeds from the Disposal will be used as general working capital for daily operations of the Group.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the retailing of footwear in Hong Kong, the PRC and Taiwan.

The Group has been making significant effort with attempt to enhance the operation efficiency in the retail business which requires considerable amounts of capital expenditure. However, the Disposal Group has been facing great challenges in competing with other market players in the retail business.

As a result of the rise of e-commerce, increasing operating costs and constantly fierce competition, the retail markets in Hong Kong and Taiwan have been unsatisfactory and are expected to face increasing challenges that would lead to increasing uncertainties in the future prospect.

After exploring available means to improve operating effectiveness of the retail business in the course of evaluating the overall business plan of the Group, the Company considered to dispose of all its retail business in Taiwan as it has been loss making and contributed only a

small portion of the total revenue of the Group and the Disposal can enhance the cash flow of the Group and improve its financial strength and the Group can also better utilise its resources to its existing business.

The Purchaser has been engaged in trading of footwear products in the United States of America, China and Taiwan. He has strong experience and network in the footwear industry, the Company considered that contribution to be brought by the Purchaser will be significant and will create strong synergy effect for Walker Shop Footwear Limited, which shall remain as a subsidiary of the Group after Completion.

Accordingly, the Directors are of the view that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

PROPOSED REMOVAL OF AUDITORS

The Board announces that, subject to the passing of the relevant resolutions at the EGM to be convened and held, BDO Limited shall be removed as the auditors of the Group and Elite Partners CPA Limited shall be appointed as the new auditors of the Group to fill the vacancy arising from the Proposed Removal and hold office until the conclusion of the next annual general meeting of the Company.

BDO Limited was re-appointed as auditors of the Group at the last annual general meeting of the Company held on 26 September 2018 to hold office until the conclusion of the next annual general meeting of the Company.

However, the Company and BDO Limited have been unable to reach a consensus on the audit fee of BDO Limited for the financial year ended 31 March 2019. After considering the facts and circumstances, the audit committee of the Board, having been delegated the power to oversee the effectiveness of the external auditors, was of the view that it would be in the best interest of the Company and its Shareholders as a whole to replace BDO Limited with another accounting firm, and accordingly made a recommendation to the Board to seek the approval of the Shareholders regarding the Proposed Removal. The Board is of the view that the Proposed Removal would enable the Company to carry out effective cost control and reduce overall operating expenses of the Company to better cope with the future business development of the Group and is in the best interest of the Company and its Shareholders as a whole. The Proposed Removal is subject to the passing of a special resolution at the EGM pursuant to the Articles.

PROPOSED APPOINTMENT OF AUDITORS

The Board, with the recommendation of the audit committee of the Board, further proposes to appoint Elite Partners CPA Limited as auditors of the Group to fill the vacancy arising from the Proposed Removal and hold office until the conclusion of the next annual general meeting of the Company. The Proposed Appointment is subject to the passing of an ordinary resolution at the EGM pursuant to the Articles. Due to the time constraints, the Company has discussed with the proposed new auditors in relation to the arrangement and preparation for the audit works to be made for the financial year ended 31 March 2019.

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Proposed Removal and the Proposed Appointment. The Company will also allow BDO Limited to attend the EGM and make written and/or verbal representations to Shareholders at the EGM.

A circular containing, among other matters, further information on the Proposed Removal and the Proposed Appointment, together with a notice convening the EGM, is expected to be despatched to the Shareholders on or before 31 May 2019.

The Board confirms that save as disclosed herein, there are no other matters in respect of the proposed change of auditors that need to be brought to the attention of the Shareholders.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

“Articles”	the articles of association of the Company
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which the licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	British Virgin Islands
“Company”	Vestate Group Holdings Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$2,500,000 payable by the Purchaser to the Vendor for the sale and purchase of the Sale Shares under the Disposal Agreement

“Deed of Novation”	the deed of novation to be entered by, among others, the Vendor and Walker Shop Footwear Limited to novate trade payables and other payables of Walker Shop Footwear Limited to the Vendor
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the terms of the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 24 May 2019 and entered into between the Purchaser and the Vendor in relation to the Disposal
“Disposal Group”	Artemis Footwear Limited, Walker Shop Footwear Limited and 奧卡索國際貿易(上海)有限公司 (Billion International Trading (Shanghai) Company Limited)
“EGM”	an extraordinary general meeting to be convened to consider, and if thought fit, approve the Proposed Removal and the Proposed Appointment
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2019 or such later date as agreed by the Vendor and the Purchaser in writing
“PRC”	the People’s Republic of China, excluding (except where the context requires) Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed Appointment”	the proposed appointment of Elite Partners CPA Limited as the new auditors of the Group to fill the vacancy arising from the Proposed Removal and hold office until the conclusion of the next annual general meeting of the Company
“Proposed Removal”	the proposed removal of BDO Limited as the auditors of the Group
“Purchaser”	Liang Che Chia

“Sale Shares”	the entire issued share capital of Artemis Footwear Limited and 50% of the total issued share capital of Walker Shop Footwear Limited
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Genius Earn Investments Limited, a wholly-owned subsidiary of the Company and a company incorporated in BVI with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 24 May 2019

As at the date of this announcement, the directors of the Company are:

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