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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
PROPOSED CHANGE OF AUDITOR**

References are made to the announcement of Vestate Group Holdings Limited (the “**Company**”) dated 21 May 2020 and the circular of the Company dated 21 May 2020 (the “**Publications**”) in relation to the proposed change of auditor. Unless otherwise specified, capitalised terms used herein shall have the same meanings as defined in the Publications.

The Board wishes to provide potential investors and shareholders with the following further information in relation to the Proposed Removal.

FURTHER INFORMATION IN RELATION TO THE PROPOSED REMOVAL

The Company received from Elite Partners a statement of circumstances dated 1 June 2020 in relation to the Proposed Removal, details of which are set out below:

1) Failure to give Elite Partners a reasonable opportunity to make any written representation

Elite Partners stated that on 20 May 2020 at 7:52 p.m., they received an email from the Company in relation to the Proposed Removal (the “**Email**”), and further stated that the Company gave no indication on whether by the Email, or otherwise, on whether the Circular would be issued. Elite Partners claimed that in any event, due to the insufficient timeframe given with less than 24 hours, it was hardly a reasonable opportunity to make representations for inclusion in the Publications.

2) Failure to give a full and fair account leading to the Proposed Removal

Elite Partners stated that there is an outstanding audit fee of HK\$869,000 still remain unpaid, and further claimed that the failure on the settlement of the outstanding audit fee had contributed, at least partly if not wholly, to the Proposed Removal. Elite Partners claimed that the Company has caused an impression that the Proposed Removal was solely attributed to their increase in audit fees for the 2019/2020 audit.

3) Rationale behind the proposed increase in the 2019/2020 audit fee

Elite Partners stated that their proposed terms of engagement takes into account all relevant circumstances, inclusive but not limited to the complexity of the audit engagement and the risk associated with the audit engagement. Elite Partners claimed that they were unable to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the Company’s consolidated financial statements for the year ended 31 March 2019. Furthermore, Elite Partners claimed that the increase of the audit fee is mostly due to the increase of the audit risks associated to the upcoming audit, and anticipated that the level of the audit work would be substantially increased. Elite Partners further claimed that a recurring engagement (had Elite Partners been retained in office) could hardly set off the complexity.

RESPONSE TO ELITE PARTNERS' STATEMENTS

In mid March 2020, the Company requested Elite Partners to provide a fee quote for the performance of the annual audit of the Group for the year ended 31 March 2020. Thereafter, the Company received the fee quotation from Elite Partners on 6 April 2020. However, Elite Partners has increased the proposed audit fee in comparison to the audit fee for the previous financial year ended 31 March 2019, despite the scope and volume of work has decreased. As such, the Company and Elite Partners have been unable to reach a consensus on the audit fee and the Company considered that the audit fee proposed by Elite Partners was unable to meet the budget requirement of the Company. The above constituted the main reason for the Proposed Removal and such information are fully disclosed in the Circular for the Shareholders to consider.

Due to non-consensus on the audit fee, the Company sent a letter to Elite Partners on 16 April 2020 (the “**Notification Letter**”) to recommend Elite Partners to convey their resignation to the Board. However, Elite Partners refused to resign as the auditor of the Group and did not respond to the request of the Company. The Company considered that sufficient time was given to Elite Partners to make their own written representations to the Company between the Notification Letter dated 16 April 2020 and the Circular dated 21 May 2020. The Company had given more than one month’s time for Elite Partners to prepare and provide any written representations, however, the Company did not receive any response before the date of the Circular.

Thus, based on the tight and pressing time constraints to release the upcoming annual results of the Company for the year ended 31 March 2020, the Company unfortunately had to resort to the Proposed Removal. In any event, Elite Partners will be allowed to attend the EGM to make any written and/or verbal representations to the Shareholders at the EGM.

In relation to the outstanding audit fee in the amount of HK\$869,000, as Elite Partners has not completed all the audit work for the financial year ended 31 March 2019, the Company considered that a partial payment would be justifiable for this situation and proposed to Elite Partners to accept a less audit fee. However, Elite Partners did not agree with such proposal and insisted for the full outstanding amount. Due to this, Elite Partners initiated a legal proceeding against the Company and the Company will seek legal advice in relation to the legal proceeding. However, the Company would like to clarify that the outstanding audit fee for the audit work for the previous financial year ended 31 March 2019 is not relevant to the Proposed Removal.

The Board is of the view that all information material and relevant to the Proposed Removal are fully disclosed in the Circular for the Shareholders to consider and the EGM will continue to be held at Room 631, 6/F, Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Friday, 12 June 2020, at 2:30 p.m. as originally scheduled.

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

Hong Kong, 4 June 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