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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)

(1) SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2020 AND (2) INSIDE INFORMATION – WINDING UP PETITION

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.

The Company sees the significant drop in the Group’s revenue and net loss making position as neither a temporary downturn, nor a deterioration of the Group’s business. Alternatively, the Company is of the view that this is an economic structural change. The basis stems from multiple issues, with the foremost being the fallout from continuing Sino-US trade war and social issues, leading to a significant decline in sales amongst Hong Kong’s retail industry in 2019. Retail sales in Hong Kong were severely weakened from July 2019 onwards when a 41% decline in Mainland tourists were recorded in Hong Kong, due to the outbreak of social issues in the second half of 2019. The spread of COVID-19 in early 2020 has also significantly impeded the entrance of mainland Chinese visitors, causing a challenging environment for Hong Kong’s retail sector. In addition, the retail sector in People’s Republic of China (“**PRC**”) has been intense and challenging for the year, leading to a less than satisfactory outcome. The above has resulted in the significant decrease in the group’s revenue from the retailing of footwear business in Hong Kong.

The Group has been progressively enhancing its new business strategy which is to strategically shift its footwear business from retail points to e-Commerce platforms. Through having an e-Commerce platform in place, it impacts the scale of operation in a positive manner. The overall costs of operation were driven down, with rental and staff expenses significantly decreased, as no retail points are required and the amount of staff members are partially reduced. Thus, the continuous reduction in the Company's retail points and shift of strategic direction towards online e-Commerce platform has led to an increase of profit margin.

Group's Business Segments Operation

Retail Business (Footwear)

This sector focuses on one main business model – business to consumer e-commerce (B2C). The B2C sales model is traditionally a retail model that was adopted in the early years through physical retail points, however as the Group initiated a shift in strategic direction in order to drive down operational costs while maintaining its brand awareness. The Group adopts this approach by placing its products online at TMall, JD.com and Taobao. When customers order from these e-platforms, a percentage of the product's listed price will be collected by the respective platform owner. The ordered products will then be sent directly by the Group to the customer's designated address. The Group also conducts promotional campaigns on these e-platforms during different festivals to attract customers.

In terms of operation scale, this sector mainly focuses on customers based in Hong Kong and PRC, with possibilities of tapping into off-shore markets as well. There are approximately 30 staff members in both Hong Kong and PRC working under this sector.

Retail Business (Convenience Stores)

This sector of the Group focuses on rendering of franchises and management services to convenience stores located in PRC China. A commissioned management business model (franchisee model) is adopted in this sector, whereby 國信全聯便利店有限公司 (the "**Franchisor**") procures/establishes a store, and the potential franchisee will pay a performance bond. In terms of the profitability, the Franchisor will collect a certain percentage of the convenience store's gross profit. The franchisee will bear the labour costs as well as partial utility expenses, whereas the Franchisor will cover the rent, logistics, store management and other peripheral expenses. Since the major products sold by the convenience stores are tobacco, alcohol, daily non-perishable necessities, pre-packaged snacks, frozen products and fresh produces, the Franchisor will assist the franchisees in connecting with different provincial wholesalers or manufacturers to obtain supplies, in order to leverage from bulk buying discounts.

In terms of operation scale, the clients of this sector are individuals or companies that are seeking to become a franchisee of this convenience store branch. The customers are solicited through referrals from existing franchisees, and through assistance of local agencies. Currently there are approximately 50 franchisees spread throughout PRC China and approximately 10 staff members working in this sector. This sector is consistently seeking new possibilities, and exploring opportunities of smart community financial services, meal sets, 5G smart life services, etc, which may lead to an expansion of staff members at later date.

Financial Services Business

The primary objective of the sector is to tailor different loan agreements with existing business partners, as a means to aid them in funding their business expansion, while fixing an interest rate that is fair to both parties. The Group does not actively seek new clientele, but rather procure them through existing business relationships or referrals from existing business partners. Therefore, a minimal operation scale is maintained, with only a small amount of employees (approximately 10 staff members) in this sector, as the amount of clients are relatively low as well.

The financial business sector of the group focuses on two distinctive business models – consumer lending and commercial lending. In the area of consumer lending, the Group offers lending solutions to individuals in either secured or unsecured terms depending on their individual circumstances and loan amount. Whereas for commercial lending, the group conducts a more in-depth due diligence process and monitors closely on how the commercial borrower utilize this debt-based fund. All transactions are conducted directly between the Group and the borrower, with no other third parties acting as intermediary.

E-commerce and E-payment Business

This sector is operated under the company China Consume Financial Holdings Company Limited (“**China Consume**”) and focuses entirely on the Business to Business (B2B) model, in which it revolves around the POSP system that is responsible for accessing various payment channels of UnionPay International and providing POS acquiring technical services for customers. This business runs through two major payment methods, through traditional Unionpay credit card method and the newer QR code method.

The method of paying through credit card is similar to QR code. When the total transaction amount is set in the retailer’s POS system at a retail check out, the customer will open China Consume’s application on their device and display the QR code. This QR code is a unique code that identifies the customer’s details, and once the shop scans this code with a QR code scanner, the transaction is finalised and sent to China Consumer’s bank account for settlement, in which the amount upon deduction of processing fee (profit), will then be transferred back to the merchant.

The E-commerce and E-Payment business segment currently has over 200 retail customers, in which they are solicited through referrals and local agencies. The target clients of this sector varies greatly as it welcomes business opportunities from all types of businesses that embraces QR code payment. There are currently over 30 staff members working under this sector.

INSIDE INFORMATION – WINDING UP PETITION

This announcement is made by the Company pursuant to Rule 13.09 and 13.25 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

On 11 September 2020, the Company received a petition (the “**Petition**”) filed with the High Court of The Hong Kong Special Administrative Region (the “**Court**”) by Mr. Lo Wing Hong Patrick (the “**Petitioner**”) in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) applying for winding up of the Company. The winding up petition will be heard before the Court at 9:30 a.m. on Wednesday, 9 December 2020.

The Petition was filed against the Company on 11 September 2020 for failure to settle the outstanding principal of the bond and accrued interest, of which the amount is HK\$36,256,400 as at 6 August 2020.

The Company is seeking legal advice on the matter and considering all available options as to the legal rights of the Company, including but not limited to the application to the High Court for a validation order. The main reason why the Company has not settled the outstanding amount was that the Company noted that some of the claims may not be totally accurate and requires more time to verify the same. In the meantime, the Company is in the process of negotiating with the Petitioner on the final settlement amount and the Company will issue the cheque accordingly once a mutual agreement is reached.

The Company will keep its shareholders and investors informed of any significant development of the Petition and will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

Effect of Winding Up Petition

According to section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), in a winding up by the court, any disposition of the property of the Company, including things in action, and any transfer of shares, or alteration in the status of the members of the Company made after the presentation of the winding up petition shall be void as a matter of Hong Kong law unless the court otherwise orders. The Company hereby remind shareholders of the Company and potential investors that pursuant to the circular dated 28 December 2016 issued by the Hong Kong Securities Clearing Company Limited (“**HKSCC**”) in relation to the transfer of the shares of

listed issuers after a winding up petition has been presented, and in view of the restrictions and the uncertainties that may arise in relation to the transfer of shares of the Company, for participant(s) who conduct share transfers through HKSCC (the “**Participant(s)**”), HKSCC may at any time, and without notice, exercise its powers under the General Rules of CCASS to temporarily suspend any of its services in respect of the shares of the Company. This may include the suspension of acceptance of deposits of share certificates of the Company into the Central Clearing and Settlement System (the “**CCASS**”). The share certificates of the Company received by HKSCC but not yet re-registered in HKSCC Nominees Limited’s name will also be returned to the relevant Participant and HKSCC shall reserve the right to reverse any credit granted to such Participant by debiting the relevant securities of the Company from its CCASS account accordingly. These measures would generally cease to apply from the date when the Petition has been struck-out, dismissed or permanently stayed, or the Company has obtained the necessary validation order from the High Court.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 15 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