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LIFESTYLE CHINA GROUP LIMITED

利福中國集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2136)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the annual results announcements (“Results Announcement”) and the annual report (“Annual Report”) of Lifestyle China Group Limited (“Company”, together with its subsidiaries collectively “Group”) for the year ended 31 December 2019. Unless otherwise stated, terms used in this announcement shall have the same meanings as those defined in the Annual Report.

In addition to the information provided in the Results Announcement and the Annual Report, the board of directors (“Board”) of the Company wishes to provide further information in relation to the qualified opinion (“Qualified Opinion”) issued by the auditor of the Company (“Auditor”) on the Group’s loss allowance on expected credit loss, net of deferred tax credit, against all overdue trade receivable balances from three companies in China of the auto trading business of the Beiren Group included in the Group’s share of losses of associates.

Audit Committee’s view on the Qualified Opinion

The audit committee of the Company (“Audit Committee”) has reviewed the relevant information provided by the Company in respect of the situation and circumstances leading to the management’s decision in making the loss allowance on net expected credit loss against the overdue trade receivable balances from the Debtors of the Beiren Group (“Full Provision Decision”). The Audit Committee agreed with management’s assessment and conclusion in respect of the Full Provision Decision in light of the fact that the ultimate beneficial owner of the companies holding these trade receivable balances, as well as the Guarantor of these trade receivable balances has been detained by the relevant authority in Hebei Province and all companies and assets which are located in Hebei Province and are directly or indirectly owned by the Guarantor have been seized by the local authority pending further investigations.

The Audit Committee also discussed and understood the concerns of the Auditor that they were not able to obtain adequate evidence with respect to the current financial conditions of the Debtors and the Guarantor, including the 2019 financial information of the Debtors, details of other assets (including nature, amounts, and claims or pledges against such assets, if any) of the Guarantor that could be pursued to settle the outstanding trade receivables due to the Beiren Group, in order to support management's Full Provision Decision.

The Audit Committee confirmed that they have reviewed and agreed with the management's position and basis of assessment on major judgmental areas, including the Full Provision Decision, and they agreed and accepted the Qualified Opinion.

Company's plan to address the Qualified Opinion

The Group only holds a non-controlling interest in the Beiren Group and therefore does not participate in the management and decision making of the day to day operation and business of the operating entities within the Beiren Group which are managed by management of the Beiren Group. In light of this, it is the responsibility of the Beiren Group's management to and in fact they are the only party that can, take appropriate and necessary actions to recover the trade receivables from the Debtors and/or the Guarantor. Through making regular contact with management of the Beiren Group, the Group should be able to obtain the relevant information from management of the Beiren Group in a timely manner, including but not limited to the financial information and financial conditions of the Debtors and the Guarantor that could be pursued to settle the outstanding trade receivables, as well as the progress, if any, of the legal proceedings taken against the Debtors and/or the Guarantor. The Company will also communicate with the major shareholder of the Beiren Group, which holds 51% equity interest in the Beiren Group at the holding company level, to explore and consider different options to minimize any loss and damage to both of us as shareholders of the Beiren Group.

While management of the Beiren Group will continue to consider taking appropriate actions, the Company has designated the Group's Chief Financial Officer to act as the main contact person who will be responsible for working closely with management of the Beiren Group to implementing all available options in recovering the trade receivables from the Debtors as well as to strengthening its credit control policies and reporting back on a timely basis any progress to the Board.

As at the date of the Annual Report and this announcement, there has not been any progress made regarding the legal actions, which are of a civil nature, taken by the Beiren Group against the Debtors as the case against the Guarantor taken by the relevant authority, which is of a criminal nature, is still pending. Moreover, as almost all the key employees of the Debtors or companies owned by the Guarantor have also been detained by the relevant authority, no progress has been made in terms of obtaining further financial information of the Debtors and the Guarantor since the date of the Annual Report. Until the time that management of the Beiren Group has access to the Guarantor and/or any of his key staff and that the criminal case against the Guarantor has any conclusion or meaningful progress, the Company does not expect there would be any progress regarding the legal actions taken by the Beiren Group against the Debtors nor any of the trade receivables can be recovered from the Debtors. Accordingly, the Company is not in a position to come up with any concrete timetable for addressing or removing the Qualified Opinion at the moment.

Nevertheless, the Company will continue to monitoring the development of the situation and to discussing the same with the Auditor on a timely and regular basis to addressing where possible the modification. The Company will make further announcement to update shareholders of the Company on the status and development of the case and implication, if any, on the Qualified Opinion when appropriate.

On behalf of the Board
Lifestyle China Group Limited
Lau Luen Hung, Thomas
Chairman and Executive Director

Hong Kong, 5 May 2020

As at the date of this announcement, the Board comprises Mr. Lau Luen Hung, Thomas as executive director; Ms. Chan Chor Ling, Amy as non-executive director; and Ms. Cheung Mei Han, Mr. Cheung Yuet Man, Raymond and Mr. Lam Kwong Wai as independent non-executive directors.