國投集團
VESTATE

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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2018

The board of directors (the "**Board**") of Vestate Group Holdings Limited (the "**Company**") presents the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2018 (the "**Year**") , together with comparative figures for the year ended 31 March 2017, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2018

	Note	**2018** ***HK$'000***	(Restated) 2017 *HK$'000* *note 9*
Continuing operations			
Revenue	*3*	**346,157**	561,557
Cost of sales	*4*	**(171,069)**	(272,996)
Gross profit		**175,088**	288,561
Selling and distribution costs	*4*	**(251,757)**	(377,530)
Administrative expenses	*4*	**(103,728)**	(136,116)
Other gains/(losses), net	*5*	**30,552**	(400)
Other income	*6*	**4,000**	4,742
Operating loss		**(145,845)**	(220,743)
Finance income	*7*	**9,701**	15,823
Finance costs	*7*	**(69,502)**	(4,716)
Finance (costs)/income, net		**(59,801)**	11,107
Share of loss of an associate		**(1,634)**	—
Loss before income tax expense		**(207,280)**	(209,636)
Income tax credit/(expense)	*8*	**586**	(116)
Loss for the year from continuing operations		**(206,694)**	(209,752)
Discontinued operations			
Loss for the year from discontinued operations	*9*	**(2,689)**	(444)
Loss for the year		**(209,383)**	(210,196)

	Note	2018 HK$'000	(Restated) 2017 HK$'000 note 9
Attributable to:			
Equity holders of the Company			
From continuing operations		**(206,076)**	(209,065)
From discontinued operations		**(2,600)**	(436)
Loss for the year attributable to equity holders of the Company		**(208,676)**	(209,501)
Non-controlling interests			
From continuing operations		**(618)**	(687)
From discontinued operations		**(89)**	(8)
Loss for the year attributable to non-controlling interests		**(707)**	(695)
Loss for the year attributable to:			
Equity holders of the Company		**(208,676)**	(209,501)
Non-controlling interests		**(707)**	(695)
		(209,383)	(210,196)
Loss per share for loss from continuing and discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)			
— Basic	*10*	**(29.14)**	(31.96)
— Diluted	*10*	**(29.14)**	(31.96)
Loss per share for loss from continuing operations attributable to equity holders of the Company (expressed in HK cents per share)			
— Basic	*10*	**(28.77)**	(31.89)
— Diluted	*10*	**(28.77)**	(31.89)
Loss per share for loss from discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)			
— Basic	*10*	**(0.37)**	(0.07)
— Diluted	*10*	**(0.37)**	(0.07)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018	(Restated) 2017
	HK$'000	*HK$'000*
		note 9
Loss for the year	**(209,383)**	(210,196)
Other comprehensive income		
Items that have been reclassified or may be subsequently reclassified to profit or loss:		
Revaluation gain of land and buildings	**—**	88,737
Currency translation differences	**14,729**	(13,722)
Total items that have been reclassified or may be subsequently reclassified to profit or loss	**14,729**	75,015
Total comprehensive income for the year	**(194,654)**	(135,181)
Attributable to:		
Equity holders of the Company		
From continuing operations	**(191,137)**	(134,227)
From discontinued operations	**(2,509)**	(426)
Total comprehensive income for the year attributable to equity holders of the Company	**(193,646)**	(134,653)
Non-controlling interests		
From continuing operations	**(933)**	(521)
From discontinued operations	**(75)**	(7)
Total comprehensive income for the year attributable to non-controlling interests	**(1,008)**	(528)
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**(193,646)**	(134,653)
Non-controlling interests	**(1,008)**	(528)
	(194,654)	(135,181)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**7,958**	113,534
Intangible assets		**804**	230,788
Investment in a joint venture		**510**	510
Interests in associates		**6,530**	7,227
Available-for-sale financial asset		**6,248**	—
Long-term deposits and prepayments		**11,363**	27,354
		33,413	379,413
Current assets			
Inventories		**97,010**	132,594
Trade receivables	*12*	**38,323**	39,751
Deposits, prepayments and other receivables		**136,014**	32,014
Loan receivables		**130,873**	—
Amount due from an associate		**3,662**	—
Cash and cash equivalents		**53,514**	32,839
		459,396	237,198
Non-current assets classified as held for sale	*13*	**241,830**	14,730
		701,226	251,928
Total assets		**734,639**	631,341
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**71,619**	71,619
Share premium		**673,503**	673,503
Other reserves		**120,451**	184,265
Accumulated losses		**(827,603)**	(713,302)
		37,970	216,085
Non-controlling interests		**(767)**	241
Total equity		**37,203**	216,326

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Current liabilities			
Trade payables	*14*	**102,737**	79,576
Accruals and other payables		**36,577**	73,408
Borrowings		**5,130**	72,240
Obligation under finance lease		**97**	105
Convertible bonds		**17,550**	17,550
Current tax liabilities		**1,077**	973
		163,168	243,852
Liabilities directly associated with non-current assets classified as assets held for sale	*13*	**52,408**	—
		215,576	243,852
Non-current liabilities			
Obligation under finance lease		**129**	225
Convertible bonds		**137,053**	134,199
Corporate bond		**344,678**	—
Deferred tax liabilities		**—**	36,739
		481,860	171,163
Net current assets		**497,214**	8,076
Total liabilities		**697,436**	415,015
Total equity and liabilities		**734,639**	631,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Vestate Group Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") are principally engaged in the retailing of footwear in Hong Kong, the People's Republic of China (the "**PRC**") and Taiwan, and e-Commerce and e-Payment business.

The Company was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The headquarter and principal place of business in Hong Kong is Suite 708, 7th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong.

In the opinion of the directors of the Company (the "**Directors**"), the Company's immediate and ultimate holding company is China Consume Elderly Care Holdings Limited, a company incorporated in the Republic of Seychelles.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

These consolidated financial statements are presented in thousands of units of Hong Kong dollar ("**HK$**"), unless otherwise stated, which is the same as the functional currency of the Company. These consolidated financial statements have been approved for issue by the Board on 22 June 2018.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by revaluation of land and buildings, certain financial liabilities (including derivative instruments) at fair value through profit or loss and assets held for sale, which are carried at lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.1 Going concern basis

During the year ended 31 March 2018, the Group reported a net loss of HK$209,383,000 and had a net cash outflow from operating activities of HK$96,172,000. As at 31 March 2018, the Group's cash and cash equivalents amounted to HK$53,514,000. On 8 May 2017, the Group issued a two-year bond with principal amount of HK$350,000,000 at interest rate of 12% per annum for the first year and 13% per annum for the second year. The bond is guaranteed by Mr. ZHU Xiaojun, Chairman of the Company, and is pledged by the shares of China Investment S.p.A., a company with 70% interest owned by Ms. CAI Jiaying, the Director of the Company ("**Milan Properties Vendor**"). The Group is required to redeem the bond at its principal amount HK$350,000,000 in May 2019.

All the above events and conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern, and therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the Directors have given careful consideration to the future liquidity of the Group, and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The Directors have reviewed the Group's cash flow projections prepared by management covering a period of twelve months from 31 March 2018. In order to improve the Group's financial position and alleviate the liquidity pressure, the Directors have been implementing various measures as follows:

(a) On 20 June 2018, an independent third party granted a stand-by revolving loan facilities of up to RMB200,000,000 to the Group, which is available to drawn down on or after 21 June 2018. The loan facility is guaranteed by Mr. ZHU Xiaojun, the Chairman of the Company, and bears interest at 18% per annum. The Directors believe that this loan facility is available for draw down as additional working capital of the Group, as and when needed. The Directors are of the opinion that this facility will be renewed upon expiry on 30 June 2019.

(b) During August 2017 and June 2018, the Group signed two non-binding memorandum of understanding ("**MOUs**") with the potential vendors to sold out the e-Commerce and e-Payment business at a consideration with reference to its market value respectively.

(c) On 15 June 2018, the Group planned to sold out the financial services business at a consideration with reference to its market value.

(d) In relation to the purchase of the Milan Properties, which is detailed in the announcement of the Company dated 17 June 2017, the Directors have considered to withdraw the refundable advance payment of HK$98,881,000 from the Milan Properties Vendor to solve the liquidity problem of the Group if necessary.

(e) The Group is implementing various measures, such as optimising its overall sales network by relocating certain of its outlets, and controlling the costing to improve the profit margin and operating cashflows of its footwear retailing business.

(f) The Group will also continue to seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 March 2018. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainty exists as to whether the Directors are able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate operating, investing and financing cash flows through achieving the following plans:

(i) Continuous compliance by the Group of the existing terms and conditions of all the convertible bonds and corporate bond issued by the Group as at the date of approval of the consolidated financial statements such that these convertible bonds and corporate bond will continue to be available to the Group and be repaid in accordance with the agreed repayment schedules;

(ii) The independent third party will be able to provide the stand-by revolving loan facilities of up to RMB200,000,000 to the Group as and when needed which will be renewable upon expiry on 30 June 2019;

(iii) Successful negotiation with the potential vendors for the disposal of the e-Commerce and e-Payment business;

(iv) Successful negotiation with the potential vendor for the disposal of the financial services business;

(v) The Group can withdraw the refundable advance payment in connection with purchase of the Milan Properties to solve the liquidity problem of the Group if necessary;

(vi) Successful implementation of measures to improve the sales margin and operating cashflows of its footwear retailing business; and

(vii) Obtaining additional sources of financing or bank borrowings as and when needed.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their net realisable amounts, to provide for further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2.2 New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has not impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 12 "Disclosure of Interests in Other Entities"

The amendments issued under the annual improvement process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12 "Disclosure of Interests in Other Entities" to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

The adoption of the amendments to HKFRS 12 has no impact on these financial statements.

2.3 New and amended standards have been issued but are not effective and have not been early adopted by the Group

The following new and amended standards are not effective for financial year beginning on 1 April 2017, and have not been applied in preparing these consolidated financial statements.

		Effective for accounting periods beginning on or after
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures	1 January 2018
Amendments to HKAS 40	Transfers of Investment Property	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 15	Clarification to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate of joint venture	To be determined

The Group is in the process of making an assessment of the potential impacts of these new and revised HKFRSs on the financial statements of the Group in the initial application and the expected impacts on the Group's financial performance and position are set out below:

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Loan receivables carried at amortised cost are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

- Equity security investments classified as available-for-sale financial asset carried at cost less impairment classified as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify it as FVTPL. Either classification would give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale financial asset in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment:

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the Directors expect the effect would not be significant.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The Group mainly operates the retailing business during the year, where the sale of goods are recognised when a group entity sells a product to the customer. In the view of the Directors, there is only one performance obligation in the retailing, when applying HKFRS 15, as there is no material after sale services and sales returns. The Group has assessed the impact of HKFRS 15 and expects that application of the standard will have no significant impact, when applied, on the Group's consolidated financial statements. However, the application of HKFRS 15 may result in more disclosures in the consolidated financial statements.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total future minimum lease payments under non-cancellable operating leases of the Group in respect of retail shops, offices, warehouses and furniture, fixtures and equipment as at 31 March 2018 amounted to approximately HK$37,595,000. The Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities.

The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statement of cash flows.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12 "Income Taxes" by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

3 SEGMENT INFORMATION

The Group is principally engaged in the retailing of footwear in Hong Kong, the PRC and Taiwan, and e-Commerce and e-Payment business.

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's financial information to assess the performance and allocate resources.

The Group has two reportable segments. The segments are managed separately as each business offers difference products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Retailing of footwear
- e-Commerce and e-Payment

The Executive Directors assess the performance of the operating segments based on a measure of segment loss without allocation of administrative expenses, other gains, other income and finance income/(costs), which is consistent with that in the financial statements. During the year ended 31 March 2018, the Directors consider to dispose the e-Commerce and e-Payment business. During August 2017 and June 2018, MOUs were signed for the potential disposal, which led to discontinue the operation of e-Commerce and e-Payment business. In accordance of HKFRS 5, e-Commerce and e-Payment business for the years ended 31 March 2018 and 2017 were classified as discontinued operation in the Group's consolidated financial statements.

Segment assets mainly exclude loan receivables in respect of the Group's financial services business, refundable advance payment in relation to the purchase of the Milan Properties and deferred tax assets.

Segment liabilities mainly exclude current tax liabilities, deferred tax liabilities, convertible bonds, corporate bond and obligation under finance lease.

In respect of geographical segment reporting, sales are based on the country in which the customer is located, and total assets and capital expenditure are based on the country where the assets are located.

(a) Business and geographical segment

The segment results for the year ended 31 March 2018 are as follows:

	For the year ended 31 March 2018						
	Continuing operations					Discontinued operations	
	Retailing of footwear					e-Commerce and	
	Hong Kong	The PRC	Taiwan	Subtotal	Unallocated	e-Payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**88,324**	**250,569**	**7,264**	**346,157**	**—**	**—**	**346,157**
Segment loss	**(21,609)**	**(54,267)**	**(793)**	**(76,669)**	**(69,176)**	**(2,689)**	**(148,534)**
Finance income							**9,701**
Finance costs							**(69,502)**
Share of loss of an associate							**(1,634)**
Income tax credit							**586**
Loss for the year							**(209,383)**
Other segment items are as follows:							
Capital expenditure	**621**	**5,898**	**1**	**6,520**	**—**	**9,307**	**15,827**
Share of loss of associates	**—**	**—**	**—**	**—**	**(1,634)**	**(595)**	**(2,229)**
Share option expenses	**—**	**—**	**—**	**—**	**15,531**	**—**	**15,531**
Depreciation of property, plant and equipment	**1,716**	**5,474**	**14**	**7,204**	**23**	**173**	**7,400**
Amortisation of intangible assets	**135**	**454**	**—**	**589**	**—**	**—**	**589**
Impairment of property, plant and equipment	**233**	**—**	**—**	**233**	**—**	**—**	**233**
Gain on disposal of assets held for sale	**(7,217)**	**—**	**—**	**(7,217)**	**—**	**—**	**(7,217)**
(Gain)/losses on disposal of property, plant and equipment	**(23,921)**	**34**	**9**	**(23,878)**	**—**	**—**	**(23,878)**
Write back of inventories, net	**93**	**(6,125)**	**279**	**(5,753)**	**—**	**—**	**(5,753)**

The segment results for the year ended 31 March 2017 are as follows:

	For the year ended 31 March 2017						
	Continuing operations					Discontinued operations	
	Retailing of footwear					e-Commerce and	
	Hong Kong	The PRC	Taiwan	Subtotal	Unallocated	e-Payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		(Restated)	(Restated)	(Restated)	(Restated)
					note 9	*note 9*	
Revenue	119,368	434,382	7,807	561,557	—	—	561,557
Segment loss	(37,208)	(51,354)	(407)	(88,969)	(131,774)	(444)	(221,187)
Finance income							15,823
Finance costs							(4,716)
Income tax expense							(116)
Loss for the year							(210,196)
Other segment items are as follows:							
Capital expenditure	3,223	6,277	74	9,574	—	—	9,574
Share of loss of an associate	—	—	—	—	—	(54)	(54)
Share option expenses	—	—	—	—	6,808	—	6,808
Share-based compensation expenses	—	—	—	—	9,034	—	9,034
Depreciation of property, plant and equipment	5,530	6,099	89	11,718	—	63	11,781
Amortisation of intangible assets	113	693	—	806	—	—	806
Impairment of property, plant and equipment	871	234	—	1,105	—	—	1,105
(Gain)/loss on disposal of property, plant and equipment	(323)	1,339	35	1,051	—	—	1,051
Write back of inventories, net	(1,381)	(5,267)	(21)	(6,669)	—	—	(6,669)

The segment assets and liabilities at 31 March 2018 are as follows:

	Continuing operations				**Discontinued operations**	
	Retailing of footwear				**e-Commerce and**	
	Hong Kong	**The PRC**	**Taiwan**	**Subtotal**	**e-Payment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**84,885**	**148,267**	**3,989**	**237,141**	**241,830**	**478,971**
Unallocated assets						**255,668**
Total assets						**734,639**
Segment liabilities	**28,482**	**109,663**	**6,106**	**144,251**	**52,408**	**196,659**
Unallocated liabilities						**500,777**
Total liabilities						**697,436**

The segment assets and liabilities at 31 March 2017 are as follows:

	Continuing operations				Discontinued operations	
	Retailing of footwear				e-Commerce and	
	Hong Kong	The PRC	Taiwan	Subtotal	e-Payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Restated) *note 9*	
Segment assets	169,706	195,202	6,027	370,935	232,608	603,543
Unallocated assets						27,798
Total assets						631,341
Segment liabilities	126,854	90,207	7,091	224,152	861	225,013
Unallocated liabilities						190,002
Total liabilities						415,015

	Specified non-current assets	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**2,059**	347,139
PRC	**21,042**	21,530
Taiwan	**11**	32
	23,112	368,701

(b) Information about major customers

For the years ended 31 March 2018 and 2017, none of the customers contributed 10% or more of the revenue of the Group.

4 EXPENSES BY NATURE

		(Restated)
	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Purchase of and changes in inventories	**176,822**	279,665
Auditor's remuneration		
— Audit service	**1,650**	2,550
— Non-audit service	**44**	91
Depreciation of property, plant and equipment		
— owned assets	**7,104**	11,574
— leased assets	**123**	144
Impairment of property, plant and equipment	**233**	1,105
Amortisation of intangible assets	**589**	806
Written off of other receivables	**—**	—
Operating lease rental in respect of leasehold land and buildings		
— minimum lease payments	**17,480**	29,477
— turnover rental expenses	**105,547**	170,436
Advertising and promotion expenses	**9,184**	14,234
Write-back of inventories, net	**(5,753)**	(6,669)
Employee benefit expenses	**155,729**	206,551
Other expenses	**57,802**	76,678
Total cost of sales, selling and distribution costs and administrative expenses	**526,554**	786,642

Expenses by nature of the Group has been presented in the consolidated income statement as follows:

	2018	(Restated) 2017
	HK$'000	*HK$'000*
		note 9
Cost of sales	**171,069**	272,996
Selling and distribution costs	**251,757**	377,530
Administrative expenses	**103,728**	136,116
	526,554	786,642

5 OTHER GAINS/(LOSSES), NET

	2018	2017
	HK$'000	*HK$'000*
Gains on disposal of assets held for sale	**7,217**	—
Loss on disposal of available-for-sale financial assets	**—**	(2)
Fair value gain on revaluation of assets held for sale	**—**	830
Gain/(loss) on disposal of property, plant and equipment	**23,878**	(1,051)
Net foreign exchange losses	**(543)**	(177)
	30,552	(400)

6 OTHER INCOME

	2018	(Restated) 2017
	HK$'000	*HK$'000*
		note 9
Licence fee and royalty income	**460**	426
Government subsidies *(note (i))*	**1,882**	1,879
Others	**1,658**	2,437
	4,000	4,742

(i) Government subsidies represent incentives received from the PRC tax authority for operating in Waigaoqiao Free Trade Zone in the PRC.

7 FINANCE COSTS, NET

	2018	(Restated) 2017
	HK$'000	*HK$'000*
Finance income		
— Fair value gain on convertible bonds	**—**	13,521
— Interest income from bank deposits	**45**	63
— Interest income from loan	**9,656**	2,239
	9,701	15,823
Finance costs		
— Fair value loss on convertible bonds	**(15,869)**	—
— Interest on convertible bonds	**(4,535)**	(3,041)
— Interest on corporate bond	**(47,178)**	—
— Interest on bank borrowings	**(1,805)**	(1,444)
— Interest expense – others	**(103)**	(216)
— Interest on obligation under finance lease	**(12)**	(15)
	(69,502)	(4,716)
Finance (costs)/income, net	**(59,801)**	11,107

8 INCOME TAX CREDIT/(EXPENSE)

The amount of income tax credit/(expense) charged to the consolidated income statement represents:

	2018	2017
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**—**	—
— PRC corporate income tax	**—**	—
— Over provision in respect of prior year	**—**	(119)
	—	(119)
Deferred income tax	**(586)**	235
	(586)	116

Taxation has been provided at the appropriate rates prevailing in the countries in which the Group operates. Hong Kong profits tax has not been provided for as the Group has no assessable profits for the years ended 31 March 2018 and 2017.

9 DISCONTINUED OPERATIONS

During August 2017 and June 2018, the Group entered into MOUs to dispose of the e-Commerce and e-Payment business. The disposal expected to be completed before the end of the year 2018, the date on which the control of e-Commerce and e-Payment business passed to the acquirer. The sales, results, cash flows and net assets of e-Commerce and e-Payment business were as follows:

	2018	2017
	HK$'000	*HK$'000*
Other income	**228**	5
Share of loss of an associate	**(595)**	(54)
Expenses	**(2,322)**	(395)
Loss before tax expense	**(2,689)**	(444)
Income tax expense	**—**	—
Loss for the year from discontinued operations	**(2,689)**	(444)
Operating cash flows	**610**	11
Investing cash flows	**(18)**	—
Financing cash flows	**—**	—
Total cash flows	**592**	11

The carrying amounts of the assets and liabilities of e-Commerce and e-Payment business at the year ended date are disclosed in the consolidated financial statements.

For the purpose of presenting discontinued operations, the comparative consolidated statement of income statement and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

10 LOSS PER SHARE

For continuing and discontinued operations

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2018	(Restated) 2017 *note 9*
Loss from continuing operations attributable to equity holders of the Company *(HK$'000)*	**(206,076)**	(209,065)
Loss from discontinued operations attributable to equity holders of the Company *(HK$'000)*	**(2,600)**	(436)
Loss attributable to equity holders of the Company *(HK$'000)*	**(208,676)**	(209,501)
Weighted average number of ordinary shares in issue *('000)*	**716,190**	655,560

(b) Diluted

Diluted loss per share is the same as basic loss per share for the years ended 31 March 2018 and 2017 as the Company's outstanding share options and convertible bonds have an anti-dilutive effect on the basic loss per share.

11 DIVIDEND

The Board has recommended not to declare dividend for the year ended 31 March 2018 (2017: Nil).

12 TRADE RECEIVABLES

Retail sales are in cash, by credit cards or collected by department stores on behalf of the Group. The department stores normally settle the proceeds to the Group within 2 months from the date of sales.

Wholesales are generally on credit terms ranging from 0 to 30 days.

Ageing analysis of trade receivables by invoice date at the end of reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 — 30 days	**19,724**	25,926
31 — 60 days	**8,827**	6,558
61 — 90 days	**2,527**	2,069
Over 90 days	**7,812**	5,710
	38,890	40,263
Less: Provision for impairment of trade receivables	**(567)**	(512)
	38,323	39,751

13 NET ASSETS HELD FOR SALE

	2018	2017
	HK$'000	*HK$'000*
Fair value less cost of disposal	**193,000**	—
Non-current assets		
Property, plant and equipment	**506**	—
Investment properties	**—**	14,730
Intangible assets	**239,070**	—
Investment in an associate	**645**	—
Current-assets		
Trade receivables, prepayment and other receivables	**865**	—
Cash and cash equivalents	**744**	—
Non-current assets classified as held for sale	**241,830**	14,730
Current liabilities		
Trade and other payables	**(16,255)**	—
Deferred tax liabilities	**(36,153)**	—
Liabilities directly associated with non-current assets classified as assets held for sale	**(52,408)**	—
Net assets held for sale	**189,422**	14,730

14 TRADE PAYABLES

The ageing analysis of trade payables by invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 — 30 days	**12,323**	26,351
31 — 60 days	**5,239**	17,127
61 — 90 days	**1,020**	2,525
Over 90 days	**84,155**	33,573
	102,737	79,576

The amounts are repayable according to normal trade terms from 30 to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors ("**Board**" and "**Directors**" respectively) of Vestate Group Holdings Limited ("**Company**") presents the audited consolidated results of the Company and its subsidiaries (collectively, "**Group**") for the year ended 31 March 2018 ("**Year**").

Group's Business Overview

The Group is principally engaged in the development and retailing of a diversified range of footwear products under its own brands, namely, ACUPUNCTURE, ARTEMIS, COUBER.G, FORLERIA, A+A2, TRU-NARI, and WALACI, through its self-managed retail shops ("**Self-managed Shops**"), concession points in department stores ("**Concession Points**") and franchised stores ("**Franchised Stores**"). The Group possesses an extensive sales network across the regions of the People's Republic of China ("**PRC**"), Hong Kong and Taiwan.

As at 31 March 2018, the Group operated a total of 25 Self-managed Shops (4 in the PRC and 21 in Hong Kong), 280 Concession Points (270 in the PRC, 2 in Hong Kong and 8 in Taiwan) and 1 Franchised Stores in the PRC. During the Year, the Group had a net decrease of 13 Self-managed Shops, 88 Concession Points and 59 Franchised Stores. The following table summarizes the number and distribution of Self-managed Shops, Concession Points and Franchised Stores (collectively, "**Retail Points**") in terms of geographical regions as at 31 March 2018 as compared to last year.

As at 31 March

	2018				2017			
Region	**Self-managed Shops**	**Concession Points**	**Franchised Stores**	**Total**	Self-managed Shops	Concession Points	Franchised Stores	Total
The PRC								
Beijing	**3**	**62**	**—**	**65**	5	83	3	91
Eastern China	**—**	**57**	**—**	**57**	—	74	2	76
Southern China	**1**	**29**	**—**	**30**	1	44	—	45
Western China	**—**	**33**	**—**	**33**	—	51	6	57
Central China	**—**	**49**	**—**	**49**	—	59	25	84
Northern China	**—**	**40**	**1**	**41**	—	47	24	71
Sub-total	**4**	**270**	**1**	**275**	6	358	60	424
Hong Kong	**21**	**2**	**—**	**23**	32	1	—	33
Taiwan	**—**	**8**	**—**	**8**	—	9	—	9
Total	**25**	**280**	**1**	**306**	38	368	60	466

Subsequent to the completion of the acquisition of China Consume Financial Holdings Company Limited ("**CCF**"), the Group is engaged in the e-Commerce and e-Payment business. CCF obtained the authorization from UnionPay International to provide the services for payment clearance of transactions between the merchants and UnionPay. During the Year, CCF commences its e-Commerce and e-Payment business containing online and offline payment services. At present, CCF focuses on online and offline payment services of UnionPay Online Payment and the Point of Sale terminals respectively. The Group intended to sell e-Commerce and e-Payment business and planned to cooperate with investors with technical expertise and abundant resources to integrate their edges and resources, thereby strengthening its position in the e-Commerce and e-Payment industry.

During the Year, the Group obtained licences to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, and also holds a Money Lenders Licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). During the Year, the Group commenced to carry out its financial services business in Hong Kong offering the diversified financial services including securities brokerage services and money lending to institutional and retail clients.

MARKET REVIEW

Stock market has been in wild swings amid mounting trade tension between the PRC and the U.S., despite that the real trade war has not been triggered. Benefited from the increasing national income which drove up purchasing power, the domestic consumption in the PRC has been boosted, with no influence from the trade relationship. Although domestic demand has fueled the rapid growth of the retail industry in the PRC, the young middle class with strong purchasing power is considered as major consumers, and online shopping is their major consumption pattern. Due to the low entry cost, a large amount of competitors are being attracted to participate in industry of online shopping. All these adverse factors significantly undermined the profitability of the Group's physical stores and online stores. In addition, the rising operating cost has adversely affected the performance of the Group.

BUSINESS REVIEW

For the Year, the Group recorded a decrease of 38.4% in its consolidated revenue to approximately HK$346 million (2017: HK$562 million). Revenue from the PRC, Hong Kong and Taiwan markets decreased by 42.3%, 26% and 7% respectively. The overall same store sales of the Group dropped by approximately 28.2% and the overall gross profit margin of the Group decreased by 0.8 percentage points to 50.6%. The Group's overall operating expenses as a percentage of turnover increased by 11.2 percentage points. Loss attributable to the equity holders was approximately HK$209 million (2017: HK$210 million). Loss per share attributable to equity holders amounted to approximately HK$29.14 cents (2017: HK$31.96 cents).

The three geographical market segments, namely the PRC, Hong Kong and Taiwan accounted for 72%, 26% and 2% of the Group's total revenue respectively (2017: 78%, 21% and 1%).

Various measures on inventory management were taken during the Year in order to clear excessive stocks and maintain a healthy inventory level. As at 31 March 2018, the Group's inventory balance (net) was HK$97 million, down 26.8% from HK$133 million as at 31 March 2017.

The PRC

During the Year, the revenue generated in the PRC was approximately HK$251 million (2017: HK$434 million), representing a decrease of 42.3% as compared to the previous year. The operation in PRC incurred a loss of HK$54 million for the Year (2017: HK$51 million).

Same store sales dropped by approximately 31.6% and operating deficit to revenue ratio increased by 9.8 percentage points as compared to last year.

Hong Kong

During the Year, the revenue generated in Hong Kong was approximately HK$88 million (2017: HK$119 million), representing a decrease of 26% as compared to the previous year. The operating loss in Hong Kong decreased by HK$16 million, representing an decrease of 42% as compared to last year. Same store sales dropped by approximately 11% while operating deficit to revenue ratio decreased by 6.7 percentage points to 24.5% as compared to last year.

Taiwan

During the Year, the revenue generated in Taiwan was approximately HK$7 million (2017: HK$8 million), representing a decrease of 7.0% as compared to the last year. The operating loss in Taiwan increased by HK$0.4 million, representing an increase of 94.8% as compared to last year. Same store sales decreased by approximately 2.5% while operating deficit to revenue ratio raised by 5.7 percentage points to 10.9% as compared to last year.

FINANCIAL REVIEW

Financial Position

The Group maintained a stable financial position throughout the Year. It financed its operations with internal funding, issuing the bonds and bank borrowings.

As at 31 March 2018, the Group had cash and cash equivalents amounting to HK$54 million (2017: HK$33 million) and outstanding bank borrowing bearing a fixed interest rate of HK$5 million (2017: HK$5 million) with a maturity of less than one year. The bank loan was denominated in New Taiwan dollars. The Group had no outstanding bank borrowing bearing a floating interest rate (2017: HK$67 million) as at 31 March 2018. Current and non-current convertible bonds were approximately HK$18 million and HK$137 million respectively. As at 31 March 2018, the current ratio stood at 3.3 times (2017: 1.0 times) and the gearing ratio stood at 68.7% (2017: 35.5%).

Subsequent to the completion of disposal of properties on 9 March 2018, the Group withdrew from the banking facilities (2017: HK$112 million) and no charge on its assets. As at 31 March 2018, the Group had aggregate of approximately HK$6 million of bank loans for trade financing and bank guarantees for rental deposit (2017: HK$79 million). As at the date of this announcement, the Group had no bank loans and bank guarantees.

During the Year, inventory turnover days increased to approximately 245 days (2017: 238 days). As at 31 March 2018, inventory amounted to approximately HK$97 million (2017: HK$133 million).

Capital Expenditure

During the Year, the Group's capital expenditure amounted to HK$16 million (2017: HK$10 million), comprising principally the purchase of leasehold improvements, computer equipment and computer software.

The Group believes that its current cash holding, cash flow from operations and available banking facilities will be sufficient to fulfil its working capital requirements and its financial position remains sound for continuous operation and expansion.

Foreign Exchange Management

The Group operates principally in the PRC and Hong Kong and its transactions are mainly denominated in Renminbi or Hong Kong dollars. The Group does not expect any significant foreign currency risk and did not enter into any forward contract to hedge its foreign exchange risk during the Year.

Convertible Bonds

(a) On 24 June 2016, the Company entered into the subscription agreement with the subscriber in relation to the Company issued the convertible bonds to subscriber in principal amount of HK$30,000,000 ("**First Bonds**"). Pursuant to which the First Bonds will bear coupon interest at the rate of 6% per annum and may be converted into 16,574,585 new Shares at a conversion price of HK$1.81 per share and due 2020. The First Bonds was issued on 5 July 2016. The net proceeds from the First Bonds were approximately HK$28,900,000 and had been utilised during the period from receiving the proceeds to 31 March 2018 as follows:

1.	Interest payment of the First Bonds	HK$900,000
2.	Payment of salary and rental expenses for the operation of the existing businesses of the Group	HK$28,000,000
	Total net proceeds utilised	HK$28,900,000

As at 31 March 2018, the net proceeds of the First Bonds has been fully utilised.

Pursuant to the terms of the First Bonds, which contain specific obligation imposed on Mr. Zhu Xiaojun ("**Mr. Zhu**"), an executive Director, the chairman of the Board and a controlling shareholder of the Company. Mr. Zhu is required (i) in his personal capacity or through any entity or company controlled by him, to hold at least 50% of the issued share capital of the Company; and (ii) to remain as an executive Director. Any non-compliance with the aforesaid obligation will constitute an event of default and upon the bondholder giving a notice to the Company, the bonds will immediately become due and payable in accordance with the terms and conditions of the First Bonds.

(b) On 8 August 2016, the Company entered into the subscription agreement with the subscriber in relation to the Company issued the convertible bonds to subscriber in principal amount of HK$150,000,000 ("**Second Bonds**"). Pursuant to which the Second Bonds will bear coupon interest at the rate of 10.5% per annum and may be converted into 81,300,813 new Shares at a conversion price of HK$1.845 per share and due 2019. The Second Bonds was issued on 24 August 2016. The net proceeds from the Second Bonds were approximately HK$146,900,000 and had been utilised during the period from receiving the proceeds to 31 March 2018 as follows:

1.	Development of "One Belt, One Road" related businesses	HK$104,100,000
2.	Acquisition of the equity interests of design management related enterprise	HK$3,100,000
3.	Interest payment of the First Bonds and Second Bonds	HK$20,756,000
	Total net proceeds utilised	HK$127,956,000

As at 31 March 2018, the balance of the net proceeds was approximately HK$18,944,000 of the Second Bonds was deposited with the Bank in Hong Kong and will be used for the intended uses as set out in the announcement dated 8 August 2016.

Corporate Bond

The Company entered into a subscription agreement with an investor on 5 May 2017 ("**Subscription Agreement**") in relation to the Company issue the bonds to the investor for subscribing in principal amount of HK$350,000,000 at interest rate of 12% per annum for the first year and 13% per annum for the second year and due 2019 ("**Bonds**"). The Bonds was issued on 24 August 2016. Pursuant to the Subscription Agreement, which contains a specific performance obligation imposed on Mr. Zhu, that during the term of the Bonds, Mr. Zhu together with parties acting in concert with him, should own directly or indirectly more than 50% of the voting shares of the Company. Any breach of the aforesaid specific performance obligation may constitute a breach under the Subscription Agreement, pursuant to which the investor is entitled to redeem the Bonds immediately in accordance with the terms and conditions of the Bonds.

Pledge of Assets

As at 31 March 2018, the Group had no pledge of assets. (2017: HK$119 million).

Contingent Liabilities

As at 31 March 2018, the Group had no material contingent liabilities or off-balance sheet obligations (2017: Nil).

GROUP STRUCTURE

During the Year, there was no material change in the corporate structure of the Group.

HUMAN RESOURCES

As at 31 March 2018, the Group had a total of 1,169 employees (2017: 1,622 employees) and the total staff cost for the Year was HK$156 million (2017: HK$207 million), representing 45% of the Group's total revenue. The Group offers competitive remuneration packages to its employees, including mandatory retirement funds, insurance, medical coverage and purchase discounts. In addition, incentive share options and performance-based discretionary bonus on an annual basis may be granted to employees subject to the Group's and individual performance. The Group also provides regular trainings and workshops to its frontline and back office staff on sales techniques, product knowledge and team building.

MAJOR AND CONNECTED TRANSACTION

On 17 June 2017, the Company entered into the preliminary agreement with the vendor, a company incorporated in Italy ("**Vendor**"), pursuant to which the Company will acquire the properties located at Milan, Italy from the Vendor ("**Properties**") for a purchase price of Euro 34,000,000 (equivalent to approximately HK$300,000,000) ("**Acquisition**"). The Vendor and the Company will further enter into the notarial deed of purchase, which is within six months after completion of the construction of the Properties. The construction of the Properties commenced in June 2017 and the Properties are currently under construction and completed around 50% of overall project and the construction is expected to be completed on schedule in June 2019. The Acquisition presents an opportunity for the Group to gain exposure in one of the most fashionable cities, to enhance brand recognition and image. The Group intends to lease out part of the properties to set up a lifestyle flagship store that offers entertainment, shopping and catering enjoyment in Milan, Italy. The Acquisition will also enable the Group to further explore the e-Payment business in Milan. The Group intends to install point of sale terminals ("**POS**") with the potential merchants for the commercial units of the Properties, and income can be generated from the fee charged based on the total transaction amounts consumed through those POS. Besides, the Acquisition represents an attractive investment opportunity for the Group. As the Group intends to lease out the remaining part of the Properties, it is expected that the steady source of rental income generated from the Properties will strengthen the Group's income base.

The Vendor is beneficially owned as to 70% by Ms. CAI Jiaying, an executive Director, and hence the Vendor is a connected person of the Company. The Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 25% but less than 100%, the Acquisition also constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and independent shareholder's approval requirements under Chapter 14 of the Listing Rules. Details of the Acquisition are set out in the announcement of the Company dated 17 June 2017 and the circular dated 31 October 2017. An ordinary resolution was passed by shareholders at the extraordinary general meeting on 27 November 2017.

MATERIAL ACQUISITIONS AND DISPOSALS

On 6 February 2018, Trunari Enterprises Company Limited, a wholly-owned subsidiary of the Company ("**Vendor**") entered into four sets formal agreements with four purchasers, all are the third parties independent of the Company and its connected persons (as defined under the Listing Rules), in relation to the Vendor sell four properties to four purchasers in the aggregate consideration of HK$150,000,000 ("**Disposals**"). Pursuant to (1) the first formal agreement, the Vendor sell the first property situated at Units 1 to 20 on 7th Floor Hope Sea Industrial Centre, 26 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong to the first purchaser at a consideration of HK$128,000,000; (2) the second formal agreement, the Vendor sell the second property situated at Units 09 on 6th Floor Hope Sea Industrial Centre, 26 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong to the second purchaser at a consideration of HK$9,500,000; (3) the third formal agreement, the Vendor sell the third property situated at Units 13 on 6th Floor Hope Sea Industrial Centre, 26 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong to the third purchaser at a consideration of HK$9,500,000; and (4) the fourth formal agreement, the Vendor sell the fourth property to the fourth purchaser. The fourth property is car parking space L16 on basement situated at Hope Sea Industrial Centre, 26 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong at a consideration of HK$3,000,000. The Board expected that the net proceeds will be used for the repayment of mortgage loan secured by the Properties and the remaining balance as general working capital of the Group. Details of the Disposals are set out in the announcement of the Company dated 7 February 2018. The Disposals was completed on 9 March 2018.

POSSIBLE SALE OF THE COMPANY'S SHARES BY THE CONTROLLING SHAREHOLDER

On 29 October 2017, Mr. ZHU Xiaojun ("**Mr. Zhu**"), an executive Director and chairman of the Board and is interested in 513,300,002 shares of the Company, representing approximately 71.67% of the entire issued share capital of the Company had entered into the non-legally binding memorandum of understanding with an independent third party ("**Potential Purchaser**"), regarding the possible sale of the Company's shares which may be sold by Mr. Zhu to the Potential Purchaser ("**Possible Sale**"). Mr. Zhu and the Potential Purchaser also entered into six extension letters in relation to the date of entering into the sale and purchase agreement was extended to on or before 30 June 2018. The discussion between Mr. Zhu and the Potential Purchaser in relation to the Possible Sale is ongoing and as at the date of this announcement, no formal or legally binding agreement has been entered into between Mr. Zhu and the Potential Purchaser in respect of the Possible Sale.

PRINCIPAL RISKS AND UNCERTAINTIES

There are various risks and uncertainties including business risks, capital risks and financial risks that may have different levels of impact on the Group's financial performance, operations, business as well as future prospects. The financial risk and capital risk are set out in the consolidated financial statements. Besides, the following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

(i) Increase in rental and concession fees;

(ii) Reliance on key management personnel;

(iii) Misjudgement of fashion trends or changes in consumers' demand or failure to respond to such changes in a timely manner;

(iv) Competition in footwear market in the PRC and Hong Kong; and

(v) Economic downturn in the PRC and Hong Kong.

OUTLOOK

While certain uncertainties of world economies still persist in 2018, the Group is cautious about the overall business and will actively adopt various reform measures to overcome the challenges in 2018. In the coming year, the Group will seize opportunities to continuously explore business opportunities for sound development of the Group's business.

Amid escalating staff costs and shop rents, the Group will continue to restructure the sales network throughout the PRC. During the period, to manage the expansion of shops discreetly with resources focusing on first-tier cities with strong purchasing power, the Group has reduced the retail points in the PRC from 424 stores in the same period last year to 275 stores, thereby enhancing management efficiency and attaining effective use of resources. To contain the pressure from inventories and enhance its cashflows, the Group will take preemptive initiatives to expand the sales channels. For example, it will set up pop-up outlets and step up the efforts in developing its wholesales business. The Board expects that such measures in place will maintain the steady development of retailing business segments.

Taking a series of UnionPay payment methods as basis, the Group plans to expand its foreign business and intend to promote the businesses related to UnionPay Online Payment, Apple Pay, Point of Sale in various regions including Hong Kong, Japan, the United Kingdom, Korea, France and Italy. The Group has commenced certain e-Payment businesses in Hong Kong, and will continue to consider Hong Kong as the target city of its main development in 2018, whereas Japan and the United Kingdom, which have a business connection with us, will be the secondary target cities accordingly.

The report of the 19th CPC National Congress proposed to deepen the institutional reform in the financial sector on various fronts, with an aim to provide considerable opportunities for Hong Kong's economic and financial development. With the PRC backing, the Group is optimistic about the financial business in the coming year. During the period, the Group began to engage in securities transaction business and provision of securities brokerage services for individuals and corporate customers. The Group plans to provide welcome offers upon account opening to attract new customers. Meanwhile, the Group will continue to cultivate talents and enhance its services, providing our customers with unsurpassed services.

FINAL DIVIDEND

The Board resolved not to declare a final dividend for the Year (2017: Nil).

CORPORATE GOVERNANCE

The Board is committed to establishing and maintaining good corporate governance practices within the Group to have better transparency and protection of shareholders' interest in general. We believe that a well-balanced corporate governance structure will definitely enable better management of its business risks and thereby ensure the Group is operated in the best interests of its shareholders and other stakeholders.

The Board as a whole is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the "Corporate Governance Code and Corporate Governance Report" ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). These functions included:

— to develop and review the Company's policies and practices on corporate governance;

— to review and monitor the training and continuous professional development of Directors and senior management;

— to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

— to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

— to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Currently, there are three board committees under the Board, namely Audit Committee, Nomination Committee and Remuneration Committee. All these committees perform their distinct roles in accordance with their respective terms of reference which have been posted on the websites of the Company and the Stock Exchange. These committees report directly to the Board on their works and make recommendations on matter where appropriate.

Save as disclosed below, the Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 March 2018 ("**Year**").

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Throughout the Year, Mr. ZHU Xiaojun ("**Mr. Zhu**") is the Chairman of the Board and is responsible for providing leadership and ensuring effective running of the Board. The duties of the chief executive are undertaken and performed by the Chairman of the Board, thus Mr. Zhu also responsible for the Group's day-to-day operations and implementation of the Group's strategies and is assisted by a management team, comprising executive Directors, general managers and department heads of the Group, with authority and responsibility for developing and exercising both operational and non-operational duties. Despite a part of responsibility of chief executive is vested in Mr. Zhu, in which all major decisions are made in consultation with the other Board members and the senior management of the Company. The Board believes that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company. As such, this was in deviation from A.2.1 of CG Code.

According to Rule 3.10(1), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of CG Code contained in Appendix 14 of the Listing Rules on The Stock Exchange, the Board is required at least three independent non-executive Directors, the audit committee of the Board ("**Audit Committee**") must comprise a minimum of three members and both of the remuneration committee of the Board ("**Remuneration Committee**") and nomination committee of the Board ("**Nomination Committee**") should comprises a majority of independent non-executive Directors. Following the resignation of Dr. HE Chengying as the independent non-executive Director and ceased to the member of both Audit Committee and Remuneration Committee, and ceased to the chairman of the Nomination Committee with effect from 1 April 2017, the Board has two independent non-executive Directors. The Audit Committee comprises only two members and both of the Remuneration Committee and Nomination Committee comprises the chairman of the Board and one independent non-executive Director. This was in deviation from Rules 3.10(1), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of CG Code.

However, following the appointment of Mr. LEUNG Man Ho as an independent non-executive Director and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 19 June 2017, the Company has three independent non-executive Directors, the Audit Committee comprises three members and both of the Remuneration Committee and Nomination Committee comprises a majority of independent non-executive Directors in compliance with the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of CG Code.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 to the Listing Rules ("**Model Code**") as its code of conduct regarding Directors' securities transactions. Having made specific enquiries with all Directors, they have confirmed their compliance with the Model Code throughout the Year. On June 2013, the Company adopted written guidelines on terms no less exacting than the Model Code for relevant employees in respect of the dealings in the Company's securities.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with the management the Group's consolidated financial statements for the Year and the accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the Year.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2018. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF THE ANNUAL REPORT

The annual report for the Year will be despatched to shareholders of the Company and published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.vestategroup.com in due course.

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

Hong Kong, 22 June 2018

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. LEUNG Man Ho