THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Vestate Group Holdings Limited (the "**Company**"), you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities nor is it calculated to invite any such offer.

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)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

GOLDIN FINANCIAL LIMITED
高銀融資有限公司

A letter from the board of directors of Vestate Group Holdings Limited is set out on pages 4 to 20 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 21 to 22 of this circular. A letter of advice from Goldin Financial Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 23 to 45 of this circular.

A notice convening an extraordinary general meeting of the Company (the "**EGM**") to be held at Room 638, 6/F, Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Monday, 27 November 2017 at 2:30 p.m. is set out on pages 62 to 63 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than Saturday, 25 November 2017 at 2:30 p.m. or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

31 October 2017

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"Acquisition"	acquisition of the Properties by the Company (or its nominee) from the Vendor pursuant to the terms and conditions of the Preliminary Agreement
"Announcement"	the announcement of the Company dated 17 June 2017 in relation to the Acquisition
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Company"	Vestate Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Preliminary Agreement and the notarial deed of purchase
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of approving the Preliminary Agreement and the transactions contemplated thereunder
"Euro"	the lawful currency of the European Community
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Board Committee"	an independent committee of the Board formed comprising the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of the Preliminary Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "Goldin Financial"	Goldin Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Preliminary Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than those who are required to abstain from voting on the resolution(s) to be proposed at the EGM
"Latest Practicable Date"	27 October 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Ms. Cai"	Ms. Cai Jiaying, an executive Director
"PRC"	the People's Republic of China
"Properties"	all commercial units at floor 00 and 01 and basement floor 1 with total gross floor area of 3281.38 square metres and all car parks at basement floor 5 and floor 6 with total gross floor area of 1830.43 square metres situated at 33, Giovanni Battista Pirelli Street, Milan, Italy
"Preliminary Agreement"	preliminary sales agreement dated 17 June 2017 entered into between the Company and the Vendor in relation to the sale and purchase of the Properties
"Purchase Price"	purchase price in the amount of Euro 34,000,000 (equivalent to approximately HK$297,160,000) for the Acquisition

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Vendor"	China Investment S.p.A., a company existing under the laws of Italy and the vender under the Preliminary Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent

For the purpose of this circular, unless otherwise indicated, the conversion of Euro into HK$ is calculated at the approximate exchange rate of Euro 1.00 to HK$8.74. This exchange rate is adopted for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

VESTATE
國投集團

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)

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

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
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Cayman Islands

Head office and principal place of business in Hong Kong:
7th Floor
Hope Sea Industrial Centre
26 Lam Hing Street
Kowloon Bay, Kowloon
Hong Kong

31 October 2017

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement and the supplemental announcement of the Company dated 7 July 2017 in relation to, among other things, the Preliminary Agreement entered into by the Company with the Vendor in respect of the Acquisition. Pursuant to the Preliminary Agreement, the Company (or its nominee) had conditionally agreed to acquire and the Vendor had conditionally agreed to sell the Properties at a consideration of Euro 34,000,000 (equivalent to approximately HK$297,160,000).

The purpose of this circular is to provide you with, among other things, (i) further information in respect of the Preliminary Agreement; (ii) the letter from the Independent Financial Adviser containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Preliminary Agreement and the transactions contemplated thereunder; (iii) the letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in relation to the terms of the Preliminary Agreement and the transactions contemplated thereunder; and (iv) the notice convening the EGM at which the ordinary resolution will be proposed to seek the approval of the Independent Shareholders in relation to the Preliminary Agreement and the transactions contemplated thereunder.

THE PRELIMINARY AGREEMENT AND THE ACQUISITION

Date: 17 June 2017

Parties:
(1) the Company as purchaser

(2) China Investment S.p.A., a company existing under the laws of Italy, as vendor.

As at the Latest Practicable Date, the Vendor is principally engaged in the development of residential and commercial estate projects in Milan, Italy. The Vendor is beneficially owned as to 70% by Ms. Cai, an executive Director, and hence the Vendor is a connected person of the Company.

Sale and Purchase

Pursuant to the Preliminary Agreement, the Vendor will sell the Properties to the Company (or its nominee). The Vendor and the Company (or its nominee) will further enter into the notarial deed of purchase, which is within six months after completion of the construction of the Properties.

The Company (or its nominee) will purchase the Properties with vacant possession.

The Properties to be acquired

The Properties consist of (i) all commercial units at floor 00 and 01 and basement floor 1 with total gross floor area of 3,281.38 square metres; and (ii) all car parks at basement floor 5 and floor 6 with total gross floor area of 1,830.43 square metres situated at 33, Giovanni Battista Pirelli Street, Milan, Italy. The construction of the Properties commenced in June 2017 and the Properties are currently under construction. The construction is expected to be completed in June 2019.

The Vendor acquired the land at 33, Giovanni Battista Pirelli Street, Milan, Italy at the original price of Euro 24,000,000 (equivalent to approximately HK$209,760,000). The Properties are currently under construction, which is expected to be completed in June 2019. The construction costs and other related expenses will be borne by the Vendor and as at the Latest Practicable Date, the construction costs incurred by the Vendor amounted to approximately Euro 9,500,000 (equivalent to approximately HK$83,030,000) and it is estimated that the total construction costs in relation to the whole building where the Properties are situated will be approximately Euro 54,000,000 (equivalent to approximately HK$471,960,000). However, the breakdown of the estimated construction costs of the Properties cannot be ascertained as (i) the Vendor has subcontracted the construction of the building to one subcontractor, who has only provided the estimated construction costs of the whole building; and (ii) the estimated construction costs of the Properties could not be allocated from the estimated total construction costs in relation to the whole building as the whole building consists of residential units, commercial units and car parks with different construction costs. There will be no further capital commitment of the Company upon completion of the Acquisition and there would not be any continuing connected transactions between the Vendor and the Company upon completion of the Acquisition.

Purchase Price

The Purchase Price for the Properties is Euro 34,000,000 (equivalent to approximately HK$297,160,000) payable in cash and was determined after arm's length negotiation between the parties to the Preliminary Agreement with reference to the preliminary valuation on the Properties conducted by an independent professional valuer in the amount of not less than Euro 34,000,000 (equivalent to approximately HK$297,160,000).

In relation to the preliminary valuation on the Properties, the valuer engaged by the Company is surveyor Angelo Collura, a professional independent valuer in Italy and the valuation methodology of the Properties is comparison to market value, with the following principal assumption:

Taking into account the constructive features of the building denominated as luxury, given the commercial importance that has taken over the entire "Porta Nuova and Isola" area in Italy, the valuer assumed it as a presumed market value of Euro 11,600 per square metre for overground surfaces, around Euro 3,000 to Euro 5,500 per square metre for underground ones and Euro 40,000 per unit for parking spaces. The value of Euro 11,600 per square metre for overground surfaces is equivalent to the value of the civilian homes found by the Revenue Agency in Italy in the second half of 2016, and therefore consistent with the value given.

On the basis of the above factors and considering the benefits of the Acquisition as set out in the section headed "Reasons for and benefits of the Acquisition" in this circular, the Directors (including the independent non-executive Directors) consider that the Purchase Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Terms of payment

(a) a refundable advance payment of Euro 10,200,000 (equivalent to approximately HK$89,148,000, 30% of the total Purchase Price) was paid by the Company to the Vendor within 10 business days after the signing of the Preliminary Agreement;

(b) Euro 10,200,000 (equivalent to approximately HK$89,148,000, 30% of the total Purchase Price) will be payable by the Company to the Vendor within 10 business days after completion of construction of the reinforced concrete of the top floor of the building, where the Properties are situated;

(c) Euro 6,800,000 (equivalent to approximately HK$59,432,000, 20% of the total Purchase Price) will be payable by the Company to the Vendor within 10 business days after completion of the building where the Properties are situated and delivery of the keys of the Properties; and

(d) the remaining balance of the Purchase Price in the amount of Euro 6,800,000 (equivalent to approximately HK$59,432,000, 20% of the total Purchase Price) will be satisfied in full by the Company on the date of subscription of the notarial deed of purchase.

The Company will settle the remaining Purchase Price mainly by way of equity fund raising exercise, which is intended to be conducted shortly before the timeline stipulated under the Preliminary Agreement that the Company is required to pay the balance of the Purchase Price in or around June 2019. The Company will conduct a placing of 200,000,000 new ordinary shares of the Company under specific mandate. If the equity fund raising is not sufficient to satisfy the remaining Purchase Price, the Company will settle the remaining Purchase Price by way of its internal resources. It is expected that there will not be any material effect on the total liabilities of the Company as a result of equity fund raising on settlement of the Purchase Price by way of internal resources of the Company.

Conditions precedent

The Acquisition is conditional upon fulfillment of the following conditions:

(a) the Company being satisfied with the results of the due diligence review on the Properties to be conducted in accordance with terms of the Preliminary Agreement;

(b) the Company being reasonably satisfied that there are no title defects to the Properties;

(c) all necessary consents and approvals required to be obtained on the part of the Company and the Vendor in respect of the Preliminary Agreement and the transactions contemplated thereunder having been obtained and remain in full force and effect; and

(d) the passing by the Independent Shareholders of the Company who are entitled to vote and not required to be abstained from voting under the Listing Rules at the EGM to be convened and held of the necessary ordinary resolution(s) to approve the Preliminary Agreement and the transactions contemplated thereunder.

All the above conditions are incapable of being waived by either the Company or the Vendor. If the above conditions have not been satisfied on or before 31 December 2017 (or such later date as the parties to the Preliminary Agreement may agree in writing), the Preliminary Agreement shall cease and terminate and the Vendor shall within 10 business days refund the advance payment of Euro 10,200,000 (equivalent to approximately HK$89,148,000) to the Company (without interest) and thereafter neither party shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms thereof. As at the Latest Practicable Date, condition (b) has been satisfied.

Completion

Completion will take place on the date of subscription of the notarial deed of purchase, which is within six months after completion of the construction of the Properties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the retailing of footwear in Hong Kong, the PRC and Taiwan. As disclosed in the annual reports of the Company for the years ended 31 March 2016 and 2017, the Group has been exploring and will continue to explore new business opportunities in areas where the Group has some knowledge of vis, among others, co-operation with new business partners in Europe and development of e-payment business in order to diversify its business portfolio both strategically and geographically and increase its competitiveness. Save as disclosed in the circular, the Company does not have any plan on further expansion in leasing, e-payment and/or other businesses at the moment and the Group intends to maintain its existing business. As at the Latest Practicable Date, the Group has no intention, negotiation, agreement, arrangement and understanding about any disposal, scaling-down and/or termination of its existing businesses and/or major operating assets.

The Properties are situated at the city center of Milan, Italy. Milan is one of the richest cities in Europe, with strengths in finance, commerce, design, entertainment, fashion and tourism.

The acquisition of the Properties 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 ("**POS**") machines 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 machines. 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.

E-payment business in Milan, Italy

As disclosed in the annual reports of the Company for the years ended 31 March 2016 and 2017, the Group has continuous intention to explore into e-payment business.

The Directors consider that the global trend of payment cards usage is positive in the payment markets for merchants and the card acceptance in Europe has been increasing. With reference to "2017 Global payments insight survey: merchants and retailers – customer experience driving payments investment" issued in 2017 by Ovum Ltd., a global consulting firm, credit/charge cards accounted the most for the annual transaction revenues of retailers in all regions, followed by debit cards in the second place and, among others, contactless cards in the seventh place out of 14 payment tools. "European card acceptance market far from saturated" issued by Retail Banking Research ("**RBR**"), a global consulting firm, on 10 June 2016, also revealed that the number of electronic funds transfer POS terminals in Europe has increased at an average rate of 6% over 2011 to 2014 and the card acceptance in Europe would continue to expand in the near future.

More importantly, UnionPay International Co. Ltd ("**UPI**") has been cementing its position in the payment cards industry. According to "Global payment cards data and forecasts to 2020" issued in July 2017 by RBR, UPI has been the largest card scheme since 2010 with its share of cards reached 43% in 2016, extending its lead over Visa Inc. and MasterCard Inc. Based on the website of UPI (https://en.unionpay.com/), as of November 2016, UnionPay International cards could be used in over tens of thousands of POS terminals in Italy covering major cities including Milan. Further, with reference to "UnionPay International cards convenes the fourth meeting of the First International Council" published by UPI in May 2017, UPI shall constantly improve overseas card acceptance range and enhance its international awareness in the future. In light of the above, the Directors believe that the e-payment business is an attractive area for business expansion by leveraging on the relevant experience and expertise of the Director and management of the Group, particularly having regard to the depth of experience of Mr. Kang Jianming ("**Mr. Kang**") (the executive Director) and Mr. He Wenxiu ("**Mr. He**").

Mr. Kang worked as the business director of 廣州銀聯網路支付有限公司 (for transliteration purpose only, Guangzhou UnionPay Network Payment Company Limited), a company specialising in bank card interbank online payment and public payment technology services in the UnionPay system in the PRC ("**Guangzhou UnionPay**") for many years and has vast experience in UnionPay e-payment system in the PRC. He is familiar with the UnionPay e-payment system in the PRC and will be responsible for overseeing the management and operation of the UnionPay e-payment system of the Company in Italy.

Mr. He has over 21 years of experience in the finance industry and he was a general manager of the financial division and south china area system support division in an A-share listed company from 1996 to 2001. He worked with Guangzhou UnionPay as the responsible person for the research and development centre, enterprise development department and international business department from 2006 to 2015. Upon Completion, Mr. He will be assisting Mr. Kang in relation to the management and operation of the e-payment business of the Company in Italy.

The Directors consider that Mr. Kang and Mr. He's experience and expertise in relation to the e-payment in the PRC are equally relevant and sufficient to that in Italy. They are of the view that there is no material difference between the management and operation of the e-payment businesses of the Company in the PRC and that in Italy, both of which essentially involve the installation of POS machines and liaison with UnionPay in relation to matters such as licensing, technical support and the amount of fees the Company takes arising from the transactions made through the POS machines.

The Directors regard demographic and economic factors as external factors which are beyond the control of the Company and therefore the Company should not put too much weight on these external factors when considering the operation and management of the e-payment business in Milan. However, the Directors have assessed Milan's strengths in arts, fashion and tourism, together with its improving economy since events like the Milan World Expo 2015 and the Directors believe that the management and operation of the e-payment business in Milan is feasible.

In addition, the e-payment business in Milan will be operated with the support of UPI, which has expanded its operations in Italy since 2006, and has been accepted by many local retailers. The Company has the technology in place to connect with UnionPay, and holds a provisional licence issued by UPI for the commencement of e-payment business in Italy. Having regard to Mr. Kang and Mr. He's in-depth experience in Guangzhou UnionPay, with particular attention to Mr. He's involvement in the international business department from 2006 to 2015, the Directors are confident that they are the suitable candidates for the management and operation of e-payment business of the Company in Italy.

Upon Completion, the commercial units and car parking spaces are expected to be leased out. The leasing of the commercial units would be conditional upon the installation of POS machines with the potential merchants for the commencement of e-payment business in Italy. Income can be generated from the fee charged based on the total transaction amounts consumed through those POS machines. The estimated capital expenditure, which includes the cost for setting up the server to collect transaction data, would be minimal.

The Company will have sufficient capital for the operation of the e-payment business in Italy as such capital requirement is minimal which mainly consists of the purchase of POS machines, installation of such machines and the set up and maintenance of a settlement server in Italy. As the installation of POS machines at the premises is a condition for the Company to lease the commercial units to the tenants, this will save the capital and costs of the Company required for the setting up of a team to look for merchants which allow the Company to install the POS machines in their stores for the operation of the e-payment system.

The Company has the technology to operate the e-payment system as the Company has a back office in Guangzhou, the PRC with a system in place to connect with UnionPay. The system has been tested and is ready to function when the e-payment business commences in Italy.

The Company has the license to operate the e-payment system as the Group obtained a provisional license through the acquisition of the entire issued share capital of China Consume Financial Holdings Company Limited, a company principally engaged in e-commerce and e-payment businesses, in February 2017. The license is a provisional license issued by UPI, a well-known payment card scheme provider, which allows the holder to conduct payment processing services for UPI credit cards in Hong Kong, Japan, Korea, Italy and France. The acquisition of the Properties, which are located in Italy, could therefore enable the Group to commence its e-payment business in Italy.

Based on the above, the Directors consider that the Company has laid a foundation for the operation of the UnionPay system in Italy.

To operate the e-payment system in Italy, the Group will need to set up a new company in Italy and a new clearing bank account with a local bank in Italy in the name of the newly set up company. Other than the above, there is no other prerequisite to operate the e-payment business in Italy.

The expected timeline in relation to the e-payment business is as follows:

Date	Event
June 2019	Completion of the construction of the Properties
By October 2019	Execution of the leasing agreements for the commercial units of the Properties
By November 2019	Installation of the POS machines in the commercial units leased

Leasing business

The Company intends to lease out all commercial units at floor 00 and 01 and basement floor 1 (with total gross floor area of 3281.38 square metres) and all car parks at basement floor 5 and floor 6 (with a total gross floor area of 1830.43 square metres) of the Properties.

As the Properties are located at the newly-revamped business, residential and cultural district in Porta Nuova, Milan, 700 metres from Stzaione Centrale train station, the Directors are of the opinion that the Properties is in a prime location of Milan. The Properties are surrounded by modern high-rise buildings, restaurants and parks, and are highly accessible by metro, buses and trams. Some of the award-winning high-rise buildings situated in the district include Unicredit Tower (headquarters of UniCredit S.p.A.), Palazzo Lombardia (the Regionale Government Building of Lombardy), and the Bosco Verticale (residential building).

Although Italy's real estate sector has seen negative growth for eight consecutive years as a result of the economic crisis, events like the Milan World Expo 2015 have led positive impact on the national economy including the real estate industry. The growth rate of Milan's commercial real estate in 2017, compared to the same period in the first half of 2016, had doubled, which made Milan the fastest recovering city in terms of real estate. Additionally, the Italian national economic recovery stimulus policies, such as the provision of exceptionally low interest rates to those who decide to take mortgages and the recent cyclical downturn in prices, have boosted the recovery of the property market in Milan. For commercial properties in Milan, the rental price has remained relatively stable. In light of the above, the Directors consider that Milan's real estate market will be more optimistic than that in the past.

It is expected that the lease contracts will increase and the rental price will be relatively stable in the future. The Directors expect the market return rate in relation to retail leasing is approximately 7.3%, which is extracted from "Retail property market H1 2017" issued in 2017 by Yard Group (http://www.yard.it/pdf/retail-market_H1-2017.pdf), a well-established and experienced full service provider in the real estate market in Italy. Yard Group had in the past few years issued quarterly market analysis reports to provide an update of the latest property market situation in Italy. The Directors consider that upon completion of the Acquisition, the Properties has its own value and its value may appreciate in the future depending on the property market in Italy. On top of that, the Properties will generate stable rental income for the Company with reference to the market return rate. In light of the above, the Directors consider that the leasing business is a good business opportunity.

Further, the Company has sufficient resources for the operation of the leasing business and it would require only minimal additional resources for its operation. As Ms. Xu Ying ("**Ms. Xu**"), the general manager of 上海新世界資訊產業股份有限公司 (for transliteration purpose only, Shanghai New World Information Industry Company Limited) ("**Shanghai New World**"), an associated company of the Group, will be responsible for linking up with different merchants and brands situated at 南京路步行街 (Nanjing Road Walkway) (the "**Merchants and Brands**") so that they can set up their own stores in the Properties and promote their products in Milan. Taking advantage of the strong network with the Merchants and Brands through Shanghai New World, the Directors are of the view that the leasing business in relation to the Properties should be manageable. The Company will not bear any construction cost on top of the Purchase Price and the construction costs will be borne solely by the Vendor. As the Properties are brand new, the Company as the landlord will not need to bear any renovation costs before the Properties can be leased to the tenants. If it is specifically requested by the tenants to renovate the commercial units, such renovation costs will be borne by the tenants themselves.

Based on the above, the Directors consider that the Company has sufficient resources for the operation of the leasing business and it would require only minimal additional resources for its operation. Accordingly, it is expected that the steady source of rental income generated from the Properties will strengthen the Group's income base.

In this connection, the Group has identified the Properties for leasing purpose. To facilitate the set-up of a lifestyle flagship store, the Company will look for suitable Merchants and Brands who are interested in and capable of setting up such lifestyle flagship store in Milan. The Company plans to lease out one floor of the Properties to a tenant, who will be suitable and capable of setting up and operating its own "lifestyle flagship store". The "lifestyle flagship store" will be similar to a department store, which will offer a variety of products and provide catering, entertainment and shopping enjoyment to the customers.

As the construction of the Properties will only be completed in June 2019, it is not commercially practicable to ask the Merchants and Brands to commit with the Company to lease the Properties at the moment. However, the Directors believe that, with a view to build brand recognition and reputation as well as international presence, the Merchants and Brands would be interested in setting up their own stores in the Properties in Milan which provides them with an opportunity to expand their business to the market in Italy. Taking into account (a) the number of 中華老字號 (China Time-honored Brands) in Shanghai (over 150), of which some famous brands within the Merchants and Brands situated at Nanjing Road Walkway include 上海新世界城 (Shanghai New World City), 邵萬生 (Shaowansheng), 杏花樓 (Xinghualou), 茂昌眼鏡 (Maochang Optical) and 回力鞋業 (Warrior Shoes); and (b) good business relationships established and developed between the Group and the Merchants and Brands, the Directors are confident to procure the Merchants and Brands to lease the stores in the Properties, and will only involve local property agents in Milan, if necessary. In relation to "China Time-honored Brand", it is an honored title granted by the Ministry of Commerce of the PRC to Chinese Enterprises, whose brand has a long history and is widely recognised by the society, and whose products, techniques or services have been passed down through generations with strong Chinese cultural background and characteristics. There are currently around 1,000 brands granted, of which over 150 are in Shanghai. If the Merchants and Brands do not fully lease the stores in the Properties, the Company will locate suitable local tenants through local property agents. Having regard to the newly-revamped business, residential and cultural district area where the Properties are situated at, which is highly accessible by metro, buses and trams, the Directors believe that it would be feasible to attract local parties to lease the Properties.

The Company does not intend to set up a flagship store itself, but to lease out the Properties for potential merchants to set up their own. Therefore, the Company intends to use the Properties for leasing business. The Company has a basic idea of looking for different types of merchants to lease the Properties such that the Properties can offer a variety of entertainment, shopping and catering enjoyment. The Company has a framework leasing business plan. A more detailed business plan will be made by the Company prior to the completion of the construction of the Properties in 2019 as it will depend on the then market situation and economic environment in Milan upon completion of the construction of the Properties.

Upon completion of the Acquisition, the Company will own all the commercial units at floor 00 and 01 and basement floor 1 of the building. All other floors of the building are residential units and car parks at basement floor. The leasing of the commercial units of the Properties is not subject to the approval of the Vendor and/or other owners of the same building of the Properties and hence the Company is not required to liaise with them with respect to the leasing of the Properties. Since the Company will acquire all the commercial units in the building and there will be no other commercial units in the remaining part of the building, the Directors consider that there will be no potential competition with the leasing business of Company as to the commercial units. Similarly, since the Company will lease all the parking spaces at basement floor 5 and floor 6 of the Properties to visitors of the commercial units on an hourly basis, and the parking spaces on other floors of the building will be owned by residents either for their own use or for leasing purpose, the Directors consider that there will be no potential competition with the leasing business of Company as to the parking spaces.

The Company did not self-initiate the exploration of new business opportunities in Italy. Instead, the transaction in relation to the Acquisition was introduced by Ms. Cai to the Company. After the introduction by Ms. Cai, the Company has been focusing on the transaction, alongside other existing business operations, considering the feasibility of the transaction and conducting due diligence review. The Directors believe that the leasing and e-payment businesses are good new business opportunities. Taking advantage of the strong network with the Merchants and Brands through Shanghai New World, the Directors are of the view that the leasing business in relation to the Properties should be manageable. Similarly, having regard to Mr. Kang and Mr. He's in-depth experience and expertise with Guangzhou UnionPay, as well as the technology and licence that the Company have, the Directors consider that the Company has laid a foundation for the operation of the UnionPay system in Italy. As a result, the Company did not at the material time have additional resources to consider other acquisition opportunities from independent third parties. In addition, the Directors consider there is no potential conflict of interest as the Vendor is a property developer, engaging only in the purchase of land, the development of residential and commercial real estates and the sale of properties on Completion in Milan, Italy. The Vendor does not operate a leasing business in relation to the Properties. Also, the Company will acquire the entire Properties from the Vendor and there will not be any remaining part of the Properties to be sold by the Vendor. Whether the remaining part of the building will be sold to independent third parties of the Company and its connected persons is at the Vendor's discretion, being the developer of the building, and cannot be ascertained by the Company. Based on the above, the Directors consider that they have fulfilled their fiduciary duties for focusing on considering the Acquisition.

The Directors also believe that the Acquisition represents a good opportunity for the Group to expand to the leasing business by leveraging on the relevant experience and expertise of the Directors and management of the Company, particularly having regard to the in depth experience of Ms. Cai, an executive Director, Ms. Xu and Ms. Ho Yuen Kam, Sarah ("**Ms. Ho**"), the deputy general manager (Greater China) of the Company.

Ms. Xu is now the general manager of Shanghai New World, a company established in the PRC with limited liability, and is principally engaged in third-party value-added services, e-commerce internet applications and software development, one of its B2C e-commerce platform "南京路商城" (Nanjing Road Mall) focuses on selling China Time-honoured Brand via the online platform. Ms. Xu has vast experience in linking up with the Merchants and Brands situated at Nanjing Road Walkway to set up their own online e-commerce platforms. Nanjing Road Walkway is the main shopping street in Shanghai, the PRC, and one of the busiest shopping streets in the world, attracting roughly over 1 million visitors a day. It is about 5.5km long, extending from Nanjing Road East (pre-1945 Nanjing Road), which is largely pedestrianised. Some of the famous brands on Nanjing Road includes 上海新世界城 (Shanghai New World City), 邵萬生 (Shaowansheng), 杏花樓 (Xinghualou), 茂昌眼鏡 (Maochang Optical) and 回力鞋業 (Warrior Shoes). In addition, during her past years of work with Shanghai New World, Ms. Xu has built up and established a good network with different Merchants and Brands. Upon Completion, Ms. Xu will be responsible for linking up with the Merchants and Brands so that they can set up their own stores in the Properties and promote their products in Milan.

Ms. Ho, the deputy general manager (Greater China) of the Company, will be responsible for managing the leasing business in Milan. Ms. Ho has vast experience in managing business as she has been managing "Walker Shop" and responsible for brand building of "Walker Shop" for many years. Prior to joining the Group, Ms. Ho was the regional manager of Watson's the Chemist and was responsible for managing the operation of a total of 72 stores in Hong Kong and Macau.

Ms. Cai has been managing and subsequently investing in a production house for movie making and advertising in Italy since 2015, during which she has built and established a good network with governmental, commercial and sport sectors in Italy. In addition, in 2015, Ms. Cai assisted the Vendor to acquire the land at 33, Giovanni Battista Pirelli Street, Milan, Italy where the Properties will be situated, during which she was responsible for securing the acquisition, finding suitable partners, applying for necessary permits and completing the design of the construction project for the land.

As Ms. Cai is familiar with the business operation in Milan, the Directors consider that Ms. Cai will be the suitable candidate to oversee the leasing business for the Company in Milan and Ms. Xu and Ms. Ho will from time to time report the business operation directly to Ms. Cai.

The Directors consider that Ms. Cai, Ms. Xu and Ms. Ho's experience and expertise in relation to the leasing businesses in the PRC are equally relevant and sufficient to that in Italy. They are of the view that there is no material difference between the management and operation of the leasing businesses of the Company in the PRC and that in Italy, both of which essentially involve the acquisition of properties, invitation to lease, entering into of leasing agreements with suitable tenants, maintenance of the properties in good condition for the tenants and lease extension.

The Directors regard demographic and economic factors as external factors which are beyond the control of the Company and therefore the Company should not put too much weight on these external factors when considering the operation and management of the leasing business in Milan. However, the Directors have assessed Milan's strengths in the arts, fashion and tourism, together with its improving economy since events like the Milan World Expo 2015, the Directors believe that the management and operation of the leasing business in Milan is feasible.

Based on the above, the Directors consider each of Ms. Cai, Ms. Xu and Ms. Ho will be the suitable candidates and they have sufficient experience and expertise for the management and operation of the leasing business for the Company in Milan. In addition, the Group intends to identify and recruit, if appropriate, employees at various hierarchical levels with experience specifically in the leasing and/or Italian market in the future.

The expected timeline in relation to the leasing business is as follows:

Date	**Event**
June 2019	Completion of the construction of the Properties
By October 2019	Execution of the leasing agreements for the commercial units of the Properties

The time required to achieve the investment payback and breakeven points for the e-payment and leasing businesses would be 9.49 years.

On the above basis, the Directors (including the independent non-executive Directors) consider that the terms of the Preliminary Agreement and the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios 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 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 Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Vendor is beneficially owned as to 70% by Ms. Cai, an executive Director, and hence the Vendor is a connected person of the Company. The Acquisition also constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Zhao Hong, Mr. Chau Wai Hing and Mr. Leung Man Ho, has been established by the Board to consider and advise the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Preliminary Agreement and the transactions contemplated thereunder if the terms are in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 21 and 22 of this circular, which contains its recommendation to the Independent Shareholders as to the voting at the EGM.

Goldin Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Preliminary Agreement and the transactions contemplated thereunder. Your attention is drawn to the letter from the Independent Financial Adviser set out on pages 23 to 45 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders as to voting at the EGM.

EGM

The EGM will be held at Room 638, 6/F, Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong at 2:30 p.m. on Monday, 27 November 2017 to consider and, if thought fit, approve the Preliminary Agreement and the transactions contemplated thereunder by way of poll.

A notice convening the EGM is set out on pages 62 to 63 of this circular and a form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event no later than Saturday, 25 November 2017 at 2:30 p.m. or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the voting of the ordinary resolution(s) as set out in the notice of EGM shall be taken by way of poll at the EGM. The result of the vote will be announced after the EGM.

The Vendor is beneficially owned as to 70% by Ms. Cai, an executive Director, and hence the Vendor is a connected person of the Company. Ms. Cai and her associates shall abstain from voting on the resolution to be proposed at the EGM. Mr. Zhu Xiaojun is the brother-in-law of Ms. Cai and hence Mr. Zhu Xiaojun and his associates shall also abstain from voting on the resolution to be proposed at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no Shareholder is required to abstain from voting on the resolution to be proposed at the EGM.

RECOMMENDATIONS

The Directors (including independent non-executive directors after taking into account the advice of the Independent Financial Adviser) believe that the terms of the Preliminary Agreement and the transactions contemplated thereunder to be fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the terms of the Preliminary Agreement and the transactions contemplated thereunder. Ms. Cai, has material interests in the Preliminary Agreement and the transactions contemplated thereunder, has abstained from voting on the Board resolutions approving the Preliminary Agreement and the transactions contemplated thereunder.

You are advised to read carefully the letter from the Independent Board Committee on page 21 to 22 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 23 to 45 of this circular, considers that the terms of the Preliminary Agreement and the transactions contemplated thereunder are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the Preliminary Agreement and the transactions contemplated thereunder at the EGM.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular. The English text shall prevail over the Chinese text in this circular.

Yours faithfully,
For and on behalf of the Board
Vestate Group Holdings Limited
Zhu Xiaojun
Chairman

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)

To the Independent Shareholders

31 October 2017

Dear Sir or Madam,

We refer to the circular (the "**Circular**") dated 31 October 2017 issued by the Company to its Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meaning when used in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated under the Preliminary Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Goldin Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Preliminary Agreement and the transactions contemplated thereunder.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser as set out on pages 23 to 45 of this circular; and (ii) the letter from the Board as set out on pages 4 to 20 of this circular, which set out information relating to, and the reasons for and benefits of the Acquisition.

As the Company's independent non-executive Directors, we have discussed with the management of the Company the reasons for and benefits of the Acquisition, and the basis upon which their terms have been determined. We have considered the factors and reasons considered by, and the opinions and recommendations of, the Independent Financial Adviser as set out on pages 23 to 45 of this circular. We are of the opinion that the terms of the transactions contemplated under the Preliminary Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the transactions contemplated under the Preliminary Agreement to be proposed at the EGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee of
Vestate Group Holdings Limited

Ms. Zhao Hong **Mr. Chau Wai Hing** **Mr. Leung Man Ho**
Independent non-executive Directors

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Preliminary Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

GOLDIN FINANCIAL LIMITED
高銀融資有限公司

Goldin Financial Limited
Suite 2202 — 2209, 22/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

31 October 2017

To: The Independent Board Committee and the Independent Shareholders of Vestate Group Holdings Limited

Dear Sirs and Madams,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF PROPERTIES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Preliminary Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 31 October 2017 (the "**Circular**"), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

On 17 June 2017, the Company entered into the Preliminary Agreement with the Vendor, pursuant to which the Company (or its nominee) had conditionally agreed to acquire and the Vendor had conditionally agreed to sell the Properties at a consideration of Euro 34,000,000 (equivalent to approximately HK$297,160,000). The Purchase Price was determined after arm's lengths negotiations between the parties to the Preliminary Agreement with reference to the preliminary valuation on the Properties conducted by an independent professional valuer in the amount of not less than Euro 34,000,000 (equivalent to approximately HK$297,160,000).

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 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 Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Vendor is beneficially owned as to 70% by Ms. Cai, an executive Director, and hence the Vendor is a connected person of the Company. The Acquisition also constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

The EGM will be held to consider and, if thought fit, to approve the Preliminary Agreement and the transactions contemplated thereunder by way of poll. Ms. Cai, Mr. Zhu Xiaojun, being the brother-in-law of Ms. Cai and their respective associates shall abstain from voting on the resolution to be proposed at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Zhao Hong, Mr. Chau Wai Hing and Mr. Leung Man Ho, has been established to consider and advise the Independent Shareholders in respect of the fairness and reasonableness of terms of the Preliminary Agreement and the transactions contemplated thereunder.

We, Goldin Financial, have been appointed by the Company as the Independent Financial Adviser in accordance with the requirements of the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in relation to the Preliminary Agreement and the transactions contemplated thereunder, and to make recommendations as to, among other, whether the terms of the Preliminary Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, the entering into of the Preliminary Agreement and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolution at the EGM. Our appointment has been approved by the Independent Board Committee.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are not aware of any relationships or interests between us and the Group, the Vendor or any of their respective substantial shareholders, directors or chief executives, or of their respective associates as at the Latest Practicable Date. We are independent under Rule 13.84 of the Listing Rules to act as the Independent

Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Preliminary Agreement and the transactions contemplated thereunder.

BASIS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, inter alia, the Preliminary Agreement, the announcements of the Company dated 17 June 2017 and 10 July 2017 in relation to the Preliminary Agreement and the transactions contemplated thereunder, the valuation report (the "**Valuation Report**") in respect of the Properties as prepared by Colliers International (Hong Kong) Ltd. (the "**Valuer**") and the annual reports of the Company for the financial years ended 31 March 2016 (the "**2016 Annual Report**") and 31 March 2017 (the "**2017 Annual Report**") respectively. We have also reviewed certain information provided by the management of the Company relating to the operations, financial conditions and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Preliminary Agreement and the transactions contemplated thereunder, the businesses and future outlook of the Group. We have taken reasonable steps to ensure that such information and statements, and any representation made to us, which we have relied upon in formulating our opinions, are true, accurate and complete in all material respects as of the Latest Practicable Date and the Shareholders shall be notified of any material changes, if any, as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of and reasons for entering into the Preliminary Agreement and the transactions contemplated thereunder to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Preliminary Agreement and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions in respect of the Preliminary Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Financial information on the Group

Set out below is certain financial information of the Group for the three financial years ended 31 March 2017 as extracted from the 2016 Annual Report and the 2017 Annual Report.

Table 1: Financial highlights of the Group

	For the year ended 31 March		
	2017	**2016**	**2015**
	(audited)	*(audited)*	*(audited)*
		(Restated)	*(Restated)*
	HK$'000	*HK$'000*	*HK$'000*
Revenue	561,557	840,658	1,090,668
loss attributable to the owners of the Company	(209,501)	(155,892)	(89,546)

	For the year ended 31 March		
	2017	**2016**	**2015**
	(audited)	*(audited)*	*(audited)*
		(Restated)	*(Restated)*
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	379,413	43,713	54,598
Current assets	251,928	378,405	519,055
Current liabilities	(243,852)	(191,283)	(180,736)
Net current assets	8,076	187,122	338,319
Non-current liabilities	(171,163)	(360)	(6,105)
Net assets	216,326	230,475	386,812

For the year ended 31 March 2016

For the year ended 31 March 2016, total revenue of the Group decreased by approximately 22.92% from approximately HK$1,090.67 million for the year ended 31 March 2015 to approximately HK$840.66 million. Based on the 2016 Annual Report, such decrease in revenue was mainly attributable to, among others, the generally weakened economic growth in the PRC, depreciation in Renminbi and low numbers of inbound tourists in Hong Kong.

For the year ended 31 March 2016, the Group recognised a loss attributable to equity holders of the Company of approximately HK$155.89 million, which has widened by approximately 74.08% from approximately HK$89.55 million for the year ended 31 March 2015. Based on the 2016 Annual Report and the 2017 Annual Report, the widening of the loss was due to the net effects of, among others, (i) the aforesaid year-on-year decrease in revenue; (ii) the year-on-year decrease in selling and distribution expenses; and (iii) the year-on-year increase in net finance costs.

As at 31 March 2016, the Group recorded net current assets of approximately HK$187.12 million, representing a decrease of approximately 44.69% from that of approximately HK$338.32 million as at 31 March 2015. Net assets of the Group as at 31 March 2016 amounted to approximately HK$230.48 million, representing a decrease of approximately 40.42% from that of approximately HK$386.81 million as at 31 March 2015.

For the year ended 31 March 2017

For the year ended 31 March 2017, total revenue of the Group decreased by approximately 33.20% from approximately HK$840.66 million for the year ended 31 March 2016 to approximately HK$561.56 million. Based on the 2017 Annual Report, such decrease in revenue was attributable to, among others, the generally weakened global economy and the retail markets in the PRC and Hong Kong.

For the year ended 31 March 2017, the Group recognised a loss attributable to equity holders of the Company of approximately HK$209.50 million, which has widened by approximately 34.39% from approximately HK$155.89 million for the year ended 31 March 2016. Based on the 2017 Annual Report, the widening of the loss was due to the net effects of, among others, (i) the aforesaid year-on-year decrease in revenue; (ii) the year-on-year decrease in selling and distribution expenses; and (iii) the year-on-year increase in administrative expenses; and (iv) the recognition of net finance income against the recognition of net finance costs for the year ended 31 March 2016.

As at 31 March 2017, the Group recorded net current assets of approximately HK$8.08 million, representing a decrease of approximately 95.68% from that of approximately HK$187.12 million as at 31 March 2016. Net assets of the Group as at 31 March 2017 amounted to approximately HK$216.33 million, representing a decrease of approximately 6.14% from that of approximately HK$230.48 million as at 31 March 2016.

2. Information on the Properties

As stated in the Letter from the Board, the Properties consist of (i) all commercial units at floor 00 and 01 and basement floor 1 with total gross floor area of 3,281.38 square metres; and (ii) all car parks at basement floor 5 and floor 6 with total gross floor area of 1,830.43 square metres situated at 33, Giovanni Battista Pirelli Street, Milan, Italy.

The Vendor acquired the land at 33, Giovanni Battista Pirelli Street, Milan, Italy at the original price of Euro 24,000,000 (equivalent to approximately HK$209,760,000). The construction of the Properties commenced in June 2017 and the Properties are currently under construction, which is expected to be completed in June 2019. The construction costs and other related expenses will be borne by the Vendor and as at the Latest Practicable Date, the construction costs incurred by the Vendors amounted to approximately Euro 9,500,000 (equivalent to approximately

HK$83,030,000) and it is estimated that the total construction costs in relation to the whole building where the Properties are situated will be approximately Euro 54,000,000 (equivalent to approximately HK$471,960,000). However, the breakdown of the estimated construction costs of the Properties cannot be ascertained as (i) the Vendor has subcontracted the construction of the building to one subcontractor, who has only provided the estimated construction costs of the whole building; and (ii) the estimated construction costs of the Properties could not be allocated from the estimated total construction costs in relation to the whole building as the whole building consists of residential units, commercial units and car parks with different construction costs. There will be no further capital commitment of the Company upon Completion and there would not be any continuing connected transactions between the Vendor and the Company upon Completion.

3. Reasons for and benefits of the Acquisition

The Group is principally engaged in the retailing of footwear in Hong Kong, the PRC and Taiwan. Owing to the decelerating economic growth in the PRC, the easing for the applications of tourist visa to the PRC tourists in Japan and South Korea and the volatility in the Chinese stock market, conditions of the retail markets in the PRC have been challenging in recent years. In light of the aforesaid, as disclosed in the 2016 Annual Report and the 2017 Annual Report, the Group has been exploring and will continue to explore new business opportunities via, among others, co-operation with new business partners in Europe and development of e-payment business in order to diversify its business portfolio both strategically and geographically and increase its competitiveness.

As advised by the management of the Company, the Properties are expected to be used for (i) commercial spaces leasing, via which a lifestyle flagship store that is expected to occupy one floor of the Properties and offer entertainment, shopping and catering enjoyment would be set up; and (ii) the e-payment business development of the Group in Milan, Italy. It is expected that the Acquisition will, among others, provide the Group with steady sources of income and allow the Group to further explore its e-payment business development. Save as disclosed in the Circular, the Group does not have any plan on further expansion in leasing, e-payment and/or other businesses at the moment and the Group intends to maintain its existing business. As at the Latest Practicable Date, the Group has no intention, negotiation, agreement, arrangement and understanding about any disposal, scaling-down and/or termination of its existing businesses and/or major operating assets.

The transaction in relation to the Acquisition was introduced by Ms. Cai, who beneficially owned 70% of the Vendor and was an executive Director as at the Latest Practicable Date, upon which the Company has independently assessed the feasibility of the Acquisition before entering into the Preliminary Agreement. In evaluating the feasibility of the Acquisition, the Company has made reference to, among others, the optimistic future prospect of retail leasing in Milan, the expected growing demand for e-payment, the experience and expertise of the Director and management of the Group, and the provision of the steady sources of income to the Group upon Completion. Further detail of the above aspects considered by the Company are set out in the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board.

In assessing the reasons for and benefits of conducting the Acquisition, we have assessed the business plan of the Company and reached our opinions having taken into account (i) the economic outlook of Italy; (ii) the future prospect of retail leasing business of the Group through the Properties; and (iii) the future prospect of e-payment business of the Group through the Properties.

Economic outlook of Italy

Following successive recessions since the global financial crisis in 2007, the economy of Italy has been gradually recovering in recent years as driven by, among others, macroeconomic policies initiated by the Italian government and certain supportive monetary policies. According to the statistics of the Organisation for Economic Co-operation and Development ("**OECD**") *(http://www.oecd.org)*, annual growth rate of gross domestic products of Italy was approximately 1.0% in 2016, representing the highest annual growth rate since 2011 following the European debt crisis commenced in 2010, against the negative annual growth rates in 2012 and 2013. According to the statistics of the Italian National Institute of Statistics ("**ISTAT**") *(http://www.istat.it/)* published on 6 July 2017, the average monthly household consumption expenditure in Italy in 2016 was approximately Euro 2,524.4, representing an increase of approximately 1.0% from that of approximately Euro 2,499.4 in 2015. Moreover, it is mentioned in "Quarterly non-financial accounts for general government, households income and savings and non-financial corporation profits" issued by ISTAT on 3 October 2017 that as supported by an improvement in disposable income, final consumption expenditure in Italy increased by approximately 0.4% in the second quarter of 2017 as compared to the previous quarter and approximately 2.7% as compared with the second quarter of 2016. On the other hand, the Jobs Act, which became in force in Italy in March 2015 with an aim to reduce barriers to employment, stimulated the Italian labour market. With reference to "Monthly report on the Italian economy" issued by ISTAT on 5 October 2017, in August 2017, the employment rate in Italy increased by 0.2% as compared to that in the previous month, whereas the unemployment rate, which has been generally on a decreasing trend since 2014, reached approximately 11.2%. It is stated in the monthly report of ISTAT that the expectations for the coming months appear to be favourable as attributable to, among others, improvements in the expectations about the Italian economic situation and unemployment. Based on "Employment Outlook 2017" issued by OECD in June 2017, it is projected that the unemployment rate in Italy will fall back to its pre-global-financial-crisis level in late 2018 or early 2019. Further, based on the latest monthly statistics issued by ISTAT on 26 October 2017, the consumer confidence climate index of Italy improved slightly in October 2017 as compared to the corresponding figure in September 2017. It is expected that the economic recovery in Italy will continue at a moderate pace in the near future.

Future prospect of retail leasing business of the Group through the Properties

The Company intends to lease out all commercial units at floor 00 and 01 and basement floor 1 (with total gross floor area of 3,281.38 square metres) and all car parks at basement floor 5 and 6 (with total gross floor area of 1,830.43 square metres) of the Properties. It is expected that construction of the Properties will be completed in June 2019 and the leasing agreements for the commercial units of the Properties will be executed by October 2019.

In performing our analysis under this sub-section, we have primarily taken into account (i) the environment around the Properties; (ii) the future prospect of prime retail leasing in Milan; and (iii) the experience and expertise of the Directors and management of the Company.

According to the Letter from the Board, the Properties are located at the newly-revamped district in Porta Nuova, Milan; surrounded by award-winning high-rise buildings, restaurants and parks with a high accessibility by metro, buses and trams. Based on our independent assessment, the Properties are situated within approximately 0.4 kilometres from Pirelli Tower, a skyscraper which is used as the official venue for regional legislative assembly meetings and approximately 0.7 kilometres from Milano Centrale, which is, according to its official website *(http://www.milanocentrale.it/)*, the second largest railway station in Italy in terms of size and traffic volume with a high passenger flow of 400,000 people per day. Also, the Properties are situated merely within approximately 2 kilometres from the natural history museum and Quadrilatero della Moda, a luxury shopping district in downtown Milan. With reference to the official tourism website of Milan *(http://www.turismo.milano.it/)*, Quadrilatero della Moda, as classified as one of the top 12 tourist attractions in Milan, is a famous shopping area which comprises shops of major national and global luxury brands with one of its access points, via Montenapoleone, being the most important and luxurious street in Milan. In light of the neighbourhood as disclosed above, we concur with the opinions of the Directors that the Properties are situated in the prime location in Milan and have focused our assessment below on the future prospect of prime retail leasing in Milan.

Driven by the improvement in regional consumer confidence, recent performance of prime retail rent in Europe has been positive. According to "Strong demand for prime retail pushes rents in EMEA" published in October 2016 by CBRE Group, Inc. ("**CBRE**") *(https://www.cbre.com/)*, a commercial real estate services and investment firm which has been included in the Fortune 500 since 2008 and the shares of which are traded on the New York Stock Exchange, Europe recorded the strongest year-on-year growth rate of prime retail rent in the second quarter of 2016. It is mentioned in the report that there have been substantial prime rent growths in many of the traditional key cities of European retail including Milan, which has recorded a growth in prime retail rent of approximately 20.0%, being the fourth fastest rate among all global markets during the reporting period. Based on "Global prime retail rents fall, but Europe sees broad gains" published in July 2017 by CBRE, performance of prime retail rent in Europe continued to be strong in the first quarter of 2017. In fact, Europe was the only region that recorded prime retail rent growth of approximately 4.3% against the declines recorded by the Americas and Asia Pacific regions during the reporting period. Over 2016 to 2018, it is forecast that the average prime retail shop rental growth across Europe shall be at 3.3% per annum, as reported in "Real Estate Market Outlook Continental Europe" issued in 2016 by M&G Real Estate *(http://mandg.be/en/institutions/real-estate/)*, a global real estate investment manager.

With respect to the performance of Milan, according to the latest quarterly market report on the Italian real estate market, namely "Retail market snapshot" issued in 2017 by Cushman & Wakefield LLP *(http://www.cushmanwakefield.com/)*, a global commercial real estate services company, Milan recorded the second highest five-year compound annual growth rate of the rent of prime retail high street shops of approximately 14.0% in the second quarter of 2017 as compared to other major Italian cities, representing an increase of approximately 0.8 percentage points from the corresponding figure for the previous quarter. It is noted from our research that the growth in prime retail rent in Milan is generally expected to persist in the near future. With reference to "Global Market Perspective" issued in May 2017 by JLL *(http://www.jll.com/)*, a leading professional services and investment management company, Milan was classified as one of the cities having an accelerating growth in prime retail rent. In line with the aforesaid, it is disclosed in "Global Real Estate Market Outlook 2017" issued by CRBE in 2017 that among others, a lack of supply combined with a strong demand shall continue to put upward pressure on the retail rent in Milan with a predicted annual rent growth of at least 4% in the next three years.

In addition to the statistics of prime retail rent, certain factors affecting the demand for prime retail spaces have also been considered in assessing the future prospect of prime retail leasing in Milan including but not limited to the expansion plans of retailers and their locational strategies for expansion. According to "Retail Market Snapshot Year-End 2016" published in the first quarter of 2017 by Colliers International *(http://www.colliers.com)*, a leading commercial real estate services company, a year-on-year increase in retail sales was recorded in Europe in 2016, representing the third year of consecutive growth, and it is expected that consumer spending will continue to grow further. As a result, retailers continue to expand their physical store networks in order to seize opportunities in the market. Based on a research report on retail market published by CBRE in 2017, namely "How global is the business of retail?", Europe had the most retail expansions of any region in 2016, with 43% of the brands targeting the region compared with 36% in 2015. Milan, being the second most populous comune in Italy, has become an increasingly attractive location for international retails and was ranked in "Destination Retail", a research report issued by JLL in 2017, as the fourth most attractive retail city in Europe in 2016. While the above figures demonstrate the positive climate of retail leasing in Milan, retailers' recent preference to invest in dominant locations further suggests the potential of prime retail leasing in Milan. As stated in "Global Market Perspective" issued in May 2017 by JLL, dominant retail locations have an increasing importance for consumer service and brand experience. According to "European Retail Market 2016-2017" issued in January 2017 by Savills plc *(http://www.savills.com/)*, a global real estate services provider, shops located in the busiest high streets and best shopping centres are the targets of several international brands for expansion. In light of a predicted growth in consumer spending, it is further expected that retailers will continue to look for prime spaces in European cities with, among others, large populations and rising tourist numbers in the future.

Upon Completion, it is considered that Ms. Cai, an executive Director, will be responsible for overseeing the leasing business of the Company in Milan, and Ms. Xu and Ms. Ho, respectively the general manager of Shanghai New World which is an associate company of the Group and the deputy general manger (Greater China) of the Company, will be responsible for managing the leasing business in Milan and from time to time report the business operations directly to Ms. Cai. In addition, we were given to understand that the Group intends to identify and recruit, if appropriate, employees at different hierarchies with experience specifically in the rental and/or Italian market in the future.

It is noted that the Directors and the management of the Company, particularly Ms. Xu, Ms. Ho and Ms. Cai, possess extensive management experiences in various industries. As the general manager of Shanghai New World, a company principally engaged in third-party value-added services, e-commerce internet applications and software development with one of its business-to-consumer e-commerce platform, 南京路商城 (Nanjing Road Mall), focusing on selling中華老字號 (China Time-honored Brand) via the online platform, Ms. Xu is responsible for linking up with different Merchants and Brands situated at 南京路步行街 (Nanjin Road Walkway) in Shanghai to set up their own online e-commerce platforms and has a well-established network with them. According to the Letter from the Board, China Time-honoured Brand is an honoured title granted by the Ministry of Commerce of the PRC to Chinese enterprises whose brand has a long history and is widely recognised by the society, and Nanjing Road Walkway is the main shopping street in Shanghai, the PRC which attracts approximately over 1 million visitors a day and comprises shops of the famous brands such as 上海新世界城 (Shanghai New World City), 杏花樓 (Xinghualou) and 茂昌眼鏡 (Maochang Optical). To facilitate the set-up of a lifestyle flagship store, the Company will look for suitable Merchants and Brands who are interested in and capable of setting up such lifestyle flagship store in Milan. The Company plans to lease out one floor of the Properties to a tenant, who will be suitable and capable of setting up and operating its own "lifestyle flagship store", which will be similar to a department store offering a variety of products and providing catering, entertainment and shopping enjoyment to the customers. In light of the potential enhancement of brand recognition, reputation and international presence, it is expected that the Merchants and Brands would be interested in setting up their stores in the Properties. Taking into account the large number of over 150 China Time-honored Brands in Shanghai and leveraging on the well-established network with the Merchants and Brands, it is expected that the Group will be able to procure the Merchants and Brands to lease the commercial units within the Properties, upon Completion. If the Merchants and Brands do not fully lease the stores in the Properties, the Company will locate suitable local tenants through local property agents. Considering the prime location and neighbourhood of the Properties with a high accessibility by public transports, we concur with the views of the Directors that it would be feasible to attract local parties to lease the Properties. On the other hand, Ms. Ho has extensive experience in managing business. Ms. Ho has been managing "Walker Shop" and responsible for brand building of "Walker Shop" for many years. Prior to joining the Group, Ms. Ho was the regional manger of Watson's the Chemist and was responsible for managing the operation of a total of 72 stores in Hong Kong and Macau. Moreover, Ms. Cai has been managing and subsequently investing in a production house for movie making and advertising in Italy since 2015, during which she has built and established a good network with governmental, commercial and sport sectors in Italy. In addition, in 2015, Ms. Cai assisted the Vendor to acquire the piece of land on where the Properties will be situated, during which she was responsible for securing the acquisition, finding suitable partners, applying for necessary permits and completing the design of the construction project for the land in Milan. It is considered that the above local management experiences have provided Ms. Cai with suitable knowledge and connections for managing the retail leasing business in Milan.

Considering that the management and the operation of the Company's leasing businesses in both the PRC and Italy essentially involve the acquisition of properties, invitation to lease, entering into of leasing agreements with suitable tenants and maintenance of the properties in good condition for the tenants and lease extension, and factors including demographic and economic factors are the external factors beyond the control of the Company and hence should not be put too much weight in assessment, we concur with the views of the Directors that there is no material difference between the management and operation of the leasing businesses of the Company in the PRC and that in Italy.

Accordingly, taking into account, among others, the good relationships with the Merchants and Brands, the extensive prior business management experience and business operations expertise which are considered to be transferable to the leasing business in Milan and/or the well-established network with various sectors in Milan of Ms. Xu, Ms. Ho and Ms. Cai, we are of the view that the expertise and knowledge of the Directors and the management of the Company, in complement with the knowledge and experience in leasing and/or Italian market to be brought towards by the potential staff from different hierarchies, will be relevant to and facilitate the operations of the retail leasing business of the Group through the Properties.

To conclude, considering (i) the solid historical statistics and the potential future upward trend of prime retail rent in Milan; (ii) the increasing expansions of retailers in Europe with Milan being one of the mostly targeted cities; and (iii) the continuous attractiveness of prime locations for retailers' expansions, we believe the future prospect of prime retail leasing in Milan will be generally optimistic. In view of the aforesaid and leveraging on the extensive management expertise and knowledge of the Directors and management of the Group in complement with the experience in the retail and/or Italian markets to be brought towards by the potential staff from different hierarchies, we are of the view that the retail leasing business through the Properties, which shall provide the Group with a steady source of rental income, will have a positive prospect in the future.

Future prospect of the e-payment business of the Group through the Properties

Upon Completion, the leasing of the commercial units of the Properties would be conditional upon the installation of point-of-sales ("**POS**") machines with the potential merchants. Based on the latest business plan, it is estimated that installation of those POS machines will take place by November 2019 following the completion of the construction of the Properties in June 2019 and the execution of the leasing agreements for the commercial units by October 2019.

In arriving at our opinions under this sub-section, we have primarily taken into account (i) the ongoing business interest of the Group in the e-payment industry; (ii) the future prospect of payment cards in general; (iii) the recent performance of UnionPay International within the payment cards industry; and (iv) the expertise and experience of the Directors and management of the Group.

The Group has disclosed its continuous intention to explore into e-payment business in the 2016 Annual Report and the 2017 Annual Report. On 8 February 2017, the Group obtained a provisional licence through the acquisition of the entire issued share capital of China Consume Financial Holdings Limited ("**China Consume**"), a company principally engaged in e-commerce and e-payment businesses. Based on our discussions with the management of the Company, such provisional licence was issued by UnionPay International, a well-known payment card scheme provider, which allows the holder to conduct payment processing services for UnionPay payment cards in Italy, France, Japan, Korea and Hong Kong. The acquisition of the Properties, which are located in Italy, could therefore enable the Group to commence its e-payment business in Italy.

The POS machines to be installed with the merchants in the Properties shall be able to read, in addition to traditional credit and debit cards, contactless payment instruments including the UnionPay payment cards with particular chips installed and/or specific digital wallet platforms linked therewith, which will allow customers to make payments by tapping those payment instruments against the machines. Income can be generated to the Group from the fee charged based on the total transaction amounts consumed through those POS machines and the estimated capital expenditures, which mainly includes the costs for the purchase and installation of the POS machines as well as the setting up and maintenance of a settlement server in Italy, would be minimal.

According to our independent research from the public domains, payment cards continue to dominate the payment markets for merchants. Based on "2017 Global payments insight survey: merchants and retailers – customer experience driving payments investment" issued in 2017 by Ovum Ltd. *(https://ovum.informa.com/)*, a global consulting firm, credit/ charge cards accounted the most for the annual transaction revenues of retailers in all regions, followed by debit cards in the second place and, among others, contactless cards in the seventh place out of 14 payment tools. Based on "MasterCard and Visa lose share to UnionPay in global cards market" issued on 14 July 2017 by Retail Banking Research ("**RBR**") *(https://www.rbrlondon.com/)*, a global consulting firm, the number of payment cards in issue is expected to increase from 14 billion in 2016 to approximately 17 billion by 2022. The growth in payment card usage shall be supported by the increasing card acceptance by merchants and the rapid development of contactless payment. As suggested in "European card acceptance market far from saturated" issued by RBR on 10 June 2016, the number of electronic funds transfer POS terminals in Europe has increased at an average rate of 6% over 2011 to 2014 and the card acceptance in Europe will continue to expand in the near future. According to "Is OEM-Pay the future of contactless?" issued in April 2016 by Juniper Research *(https://www.juniperresearch.com/)*, a digital technology analyst firm, contactless wallet platforms have developed significantly in recent years, and a number of leading players are exploring the expansion of application of contactless payments.

Upon Completion, the e-payment business of the Group will be operated with the support from UnionPay International. It is noted from our independent research that UnionPay International has been increasingly consolidating its position within the payment cards industry and expanding its operations in Italy. According to "Global payment cards data and forecasts to 2020" published in July by RBR, UnionPay International has been the largest card scheme since 2010 with its share of cards reached 43% in 2016, extending its lead over Visa Inc. and MasterCard Inc. With reference to the website of UnionPay International *(https://en.unionpay.com/)*, as of November 2016, UnionPay International cards could be used in over tens of thousands of POS terminals in Italy covering major cities including Milan. Further, based on "UnionPay International convenes the fourth meeting of the First International Council" published by UnionPay International in May 2017, UnionPay International shall constantly improve overseas card acceptance range and enhance its international awareness in the future.

Upon Completion, it is expected that Mr. Kang, an executive Director, will be responsible for overseeing the management and operation of the UnionPay International e-payment system of the Company in Italy, and Mr. He, the general manager of Guangzhou Guoxin Guanfu Information Technology Company Limited which is an associate of the Company, will be assisting Mr. Kang in such regards.

It is noted that Mr. Kang and Mr. He possess extensive experiences particularly in e-payment industry, finance and economics. Mr. Kang has vast experience in UnionPay International e-payment system in the PRC and has worked for many years as the business director of Guangzhou UnionPay, a company specialising in bank card interbank online payment and public payment technology services in the UnionPay system in the PRC. Mr. He, on the other hand, has over 21 years of experience in the finance industry and he was a general manager of the financial division and South China area system support division in an A-share listed company from 1996 to 2001. Mr. He worked with Guangzhou UnionPay as the responsible person for the research and development centre, enterprise development department and international business department from 2006 to 2015.

Considering that the management and the operation of the Company's e-payment businesses in both the PRC and Italy essentially involve the installation of POS machines and liaison with UnionPay International in relation to matters such as licensing, technical support and the amount of fees the Company takes arising from the transactions made through the POS machines, and factors including demographic and economic factors are the external factors beyond the control of the Company and hence should not be put too much weight in assessment, we concur with the views of the Directors that there is no material difference between the management and operation of the e-payment businesses of the Company in the PRC and that in Italy.

Based on the previous experience and expertise of Mr. Kang and Mr. He which are transferable to the e-payment business in Italy, particularly their knowledge of the UnionPay International e-payment system and/or years of experience in the international business department in Guangzhou UnionPay, we are of the views that the Directors and the management of the Group have the suitable and sufficient experience and expertise for managing and operating the e-payment business of the Group in Italy.

Accordingly, considering the positive trend of payment cards usage as supported by the increasing card acceptance and the ongoing development of contactless technologies, we are of the opinion that the future prospect of payment cards will be positive. Further, in light of the above and considering (i) the continuous business interest of the Group in e-payment industry; (ii) the e-payment business of the Group will be operated with the support of UnionPay International; (iii) the growing market share of UnionPay International within the payment cards industry and its increasing focus on the international market including Italy; and (iii) the expertise and knowledge of the Director and management of the Group which are considered to be suitable and sufficient for managing and operating the e-payment industry in Italy, we believe the future prospect of the Group's e-payment business through the Properties, which shall provide it with a source of income, will be generally optimistic.

In conclusion, given the Acquisition was introduced by Ms. Cai upon which independent assessment has been performed by the Company and Italy, being the country where the Properties are located in, is one of the five countries in where China Consume is the designated overseas acquiring institution for UnionPay International, taking into account the (i) economic recovery in Italy; (ii) the expected optimistic future prospect of the Group's retail leasing business through the Properties; and (iii) the expected optimistic future prospect of the Group's e-payment business through the Properties, we are of the view that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.

4. Principal terms of the Preliminary Agreement

On 17 June 2017, the Company entered into the Preliminary Agreement with the Vendor, pursuant to which the Company (or its nominee) had conditionally agreed to acquire and the Vendor had conditionally agreed to sell the Properties. The Vendor and the Company (or its nominee) will further enter into the notarial deed of purchase within six months after completion of the construction of the Properties. The Company (or its nominee) will purchase the Properties with vacant possession.

Basis of the Purchase Price

The Purchase Price for the Properties is Euro 34,000,000 (equivalent to approximately HK$297,160,000) payable in cash and was determined after arm's length negotiation between the parties to the Preliminary Agreement with reference to the preliminary valuation on the Properties conducted by an independent valuer in the amount of not less than Euro 34,000,000 (equivalent to approximately HK$297,160,000). With reference to the sub-section headed "Terms of payment" in the Letter from the Board, the Company will settle the remaining Purchase Price mainly by way of equity fund raising exercise, which is intended to be conducted shortly before the timeline stipulated under the Preliminary Agreement that the Company is required to pay the balance of the Purchase Price in or around June 2019. If the proceeds to be raised from such equity fund raising is not sufficient to satisfy the remaining Purchase Price, the Company will settle the remainder of the Purchase Price by way of its internal resources.

The Company has engaged the Valuer to conduct a valuation on the Properties, details of the Valuation Report of which are set out in Appendix I to the Circular. According to the Valuation Report, the appraised value (the

"**Appraised Value**") of the Properties was approximately Euro 34,200,000 (equivalent to approximately HK$298,908,000) as at 11 October 2017 (the "**Valuation Date**").

In assessing the fairness and reasonableness of the determination of the Purchase Price, we have reviewed the Valuation Report and discussed with the Valuer regarding, among others, its experiences and the principal bases and assumptions adopted in the valuation. Based on our interview with the Valuer, we learnt that the Valuer possesses experience in performing valuations on different kinds of properties for transactions of various listed and/or non-listed companies in Hong Kong and overseas including Italy. It is noted that each of the professionals responsible for signing the Valuation Report has not less than 20 years of experience in real estate industry and assets valuations sector. With respect to the valuation experience specifically in valuing properties in Italy, we learnt that in 2016, the Valuer has conducted valuations on approximately 1,600 assets in Italy of a wide range of natures including retail, residential and development, the aggregate underlying market value of which amounted to approximately Euro 7,000,000,000 (equivalent to approximately HK$61,180,000,000). The Valuer confirmed that it is an independent third party to the Company, the Vendor and their respective connected persons as at the Latest Practicable Date. In addition, we have reviewed the terms of the engagement letter of the Valuer with respect to the Valuation Report and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report.

During our review, we noted that the valuation on the Properties was conducted based on the key assumptions that (i) the owners sell the Properties in the open market without the benefit of deferred term contracts, leasebacks, joint ventures or any similar arrangements which would affect the value thereof; and (ii) the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect the value thereof. We further noted that no allowances have been made in the valuation on the Properties for any charges, mortgages or amounts owing neither on the Properties nor for any expenses or taxes which may be incurred in effecting a sale. The Valuer advised that the above are the assumptions generally adopted in property valuations. We have, in such regard, conducted independent research and noted that the above assumptions have been commonly adopted in the valuations of assets including properties of other listed companies in Hong Kong.

The Appraised Value was arrived at on the bases that the development of the Properties has been completed and all relevant costs including the outstanding construction cost have been settled as of the Valuation Date. In obtaining the Appraised Value, the Valuer has adopted market approach by making reference to comparable sale transactions available in the relevant market (the "**Comparables**"). The Valuer has identified sale transactions based on the criteria that the underlying properties of all Comparables are (i) located within a 30-minute walking distance from the Properties; and (ii) either retail podium shops or car parking spaces which were considered to be relevant in nature to the corresponding portions of the Properties, which we consider fair and reasonable. As confirmed by the Valuer, the Comparables represent an exhaustive list of comparables having met all of the aforesaid selection criteria. It is noted that the Valuer has relied upon Immobiliare.it as the source of information on the Comparables. According to its official website (https://www.immobiliare.it/), Immobiliare.it is a real estate portal in Italy launched in 2007 which, among others, publishes from time to time studies on the development of the real estate market, and gathers and provides information on the potential property sale transactions in Italy. It is also noted that Immobiliare.it is commonly used by real estate agencies with more than 19,000 users and more than 22 million visits to the site and its smartphone application each month. As advised by the Valuer, Immobiliare.it is one of the most recognised portals commonly used for the purpose of property valuations in Italy and the information on the website is updated every day. We have also performed desktop search and noted that all of the Comparables are in close proximity to and within not more than 2.0 kilometres away from the Properties. In light of the foregoing, we are of the view that the source of information on the Comparables is reliable and the Comparables are fair and reasonable.

As advised by the Valuer, market approach was considered as an appropriate approach in conducting the valuation on the Properties given the availability of the market information on the Comparables, whereas other approaches such as income approach are considered as less appropriate due to, among others, the potential difficulties in assessing the future economic benefits of the Properties, which are currently under construction. The Valuer further advised that it is a normal market practice to value properties in Italy via market approach. As the most appropriate valuation approach as selected by the Valuer after careful consideration and comparison with other approaches, market approach was the mere valuation approach adopted by the Valuer throughout the valuation. Based on our independent research, it is noted that market approach has been adopted for valuing assets including properties of other listed companies in Hong Kong. In light of the above, we have relied upon the experience and expertise of the Valuer and have not adopted other valuation methodologies to cross-check the valuation. During our review, we noted that the Appraised Value was obtained principally based on the gross development values of the retail podium shops and car parking spaces within the Properties, which were in turn arrived at based on their (i) respective gross floor areas or number of units; and (ii) their respective estimated market values per unit area or unit (the "**Adopted Unit Rates**"). We have further conducted a comparison with the Comparables and noted that the Adopted Unit Rates are lower than the corresponding prevailing unit prices underlying the Comparables.

As confirmed by the Valuer, in valuing the Properties, it has complied with all relevant requirements set out in Chapter 5 of the Listing Rules, the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and with reference to the International Valuation Standards 2017 published by the International Valuation Standards Council. During the course of our review of the Valuation Report and discussion with the Valuer, we have not identified any major factors that cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the valuation.

Based on the above, we consider that the Valuer is suitably qualified for performing the valuation of the Properties, and that the bases, assumption and methodologies adopted in arriving at the Appraised Value are fair and reasonable.

Considering the Purchase Price of Euro 34,000,000 (equivalent to approximately HK$297,160,000) represents a discount of approximately 0.58% to the Appraised Value of the Properties of Euro 34,200,000 (equivalent to approximately HK$298,908,000) as at the Valuation Date, the latter of which is fair and reasonable given, among others, its determination is principally based on the Adopted Unit Rates which are lower than the corresponding prevailing unit prices underlying the Comparables, we are of the view that the Purchase Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

In addition, we have reviewed other principal terms of the Preliminary Agreement including but not limited to the terms of payment and the conditions precedent thereto, further details of which are set out in the section headed "The Preliminary Agreement and the Acquisition" in the Letter from the Board, and are not aware of any terms being unusual. In view of the above, we are of the view that the terms of the Preliminary Agreement including the Purchase Price are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

5. Financial impacts of the Acquisition

When assessing the financial impacts of the Acquisition, we have primarily taken in to account the following aspects:

Net assets

According to the 2017 Annual Report, net assets of the Group were approximately HK$216.33 million as at 31 March 2017. Given the Purchase Price of Euro 34,000,000 (equivalent to approximately HK$297,160,000) was determined with reference to the Appraised Value in the similar amount of Euro 34,200,000 (equivalent to approximately HK$298,908,000, it is expected that the Acquisition would not have a material impact on the net assets of the Group upon Completion unless the value of the Properties significantly deviated from its Appraised Value as at the Valuation Date.

Liquidity

According to the 2017 Annual Report, cash and cash equivalents of the Group as at 31 March 2017 amounted to approximately HK$32,839,000. The Purchase Price of Euro 34,000,000 (equivalent to approximately HK$297,160,000), which is intended to be funded by a combination of fund raising exercises and internal resources if appropriate, will be settled in cash by stages, further details of which are set out in the section headed "Terms of payment" in the Letter from the Board. Despite that the Acquisition by itself will lead to an aggregate decrease in the Group's cash and cash equivalent of Euro 34,000,000 (equivalent to approximately HK$297,160,000), given fund raising exercises will be implemented by the Group to fund the Purchase Price and as disclosed in the Letter from the Board, no material impact on the total liabilities is expected, it is expected that there will not be any material adverse impact on the liquidity of the Group immediately upon Completion.

Earnings

According to the 2017 Annual Report, loss attributable to the owners of the Company was approximately HK$209.50 million for the year ended 31 March 2017. Upon Completion, given the potential income to be generated from the development of the e-payment and retail rental businesses, it is expected that earnings of the Group will improve in the long run.

The analyses above are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

Accordingly, despite the reduction in cash and cash equivalents of the Group arising from the settlement of the Purchase Price, taking into account that (i) no material impact on the net assets of the Group would be expected; (ii) no material adverse impacts on the liquidity of the Group would be expected; and (iii) the potential improvement of earnings of the Group in the long run, we are of the view that the financial impacts of the Acquisition are justifiable for the Company to implement the Acquisition.

RECOMMENDATIONS

Having considered the above principal factors and reasons including the potential financial impacts on the Group thereof, we are of the view that notwithstanding the Acquisition is not being implemented in the ordinary and usual course of business of the Company, the terms of the Preliminary Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Preliminary Agreement and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed for approving the Preliminary Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

Note:

Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Goldin Financial to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance profession

The following is the text of a letter and Valuation Certificate prepared for the purpose of incorporation in this circular received from Colliers International (Hong Kong) Ltd., an independent valuer, in connection with its valuation as at 11 October 2017 of the Property (as defined in this circular) to be acquired by the Group. Terms defined in this appendix applies to this appendix only.

Colliers International (Hong Kong) Ltd
Valuation & Advisory Services
Company Licence No: C-006052

Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong

The Board of Directors
Vestate Group Holdings Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

31 October 2017

Dear Sirs,

INSTRUCTIONS, PURPOSE AND VALUATION DATE

We refer to your instructions for us to assess the market value of a property (the "**Property**") located in Italy to be acquired by Vestate Group Holdings Limited and its subsidiaries ("**the Group**"). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 11 October 2017 (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation has been undertaken on the basis of market value, which is defined by The Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

In the valuation of the Property, we have adopted market approach to assess the gross development value of the proposed development by making reference to comparable sale transactions as available in the relevant market. The gross development value is then adjusted with considerations of the outstanding development costs, the outstanding development period and the potential profit margin to arrive at our opinion of value of the Property.

VALUATION STANDARDS

The valuation has been carried out in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors with reference to the International Valuation Standards 2017 published by the International Valuation Standards Council effective from 1 July 2017, and the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the Property. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

All legal documents disclosed in this letter and Valuation Certificate are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the Property set out in this letter and Valuation Certificate.

SOURCES OF INFORMATION

We have relied to a considerable extent on the information provided by the Group, including but not limited to identification of the Property, particulars of occupancy, development scheme, development costs, areas, plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

SITE MEASUREMENT

We have not carried out detailed on-site measurements to verify the correctness of the site area in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

SITE INSPECTION

The Property was inspected on 6 June 2017. We are unaware of any adverse ground conditions affecting the Property and have not had sight of a ground and soil survey. We have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We have further assumed that there is no significant pollution or contamination in the locality which may affect the construction on the Property.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, or any similar arrangements which would affect its value.

No allowances have been made in our valuation for any charges, mortgages or amounts owing neither on the Property nor for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Euro ("**EUR**").

We hereby certify that we have neither present nor a prospective interest in the Property or the values reported.

Our Valuation Certificate is attached hereto.

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Ltd.

Vincent Cheung
BSc(Hons) MBA FRICS MHKIS
RPS(GP) MISCM MHKSI
Deputy Managing Director, Asia
Valuation & Advisory Services

Angelo Collura
Diploma of Geometry
Surveyor

Note:

Vincent Cheung holds a Master of Business Administration and he is a Registered Professional Surveyor with about 20 years' experiences in real estate industry and assets valuations sector. His experiences on valuations cover Greater China and other regions. Mr. Cheung is a fellow member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a member of Institute of Shopping Centre Management and a member of Hong Kong Securities and Investment Institute. Vincent is one of the valuers on the "list of property valuers for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers" as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

Angelo Collura is a surveyor with a firm located in 58, Roma Street, Bomio and registered at the Chamber of Commerce, Industry, Agricultural and Crafts in Sondrio with Economic Administrative Index No. SO-58181. He has about 27 years' experiences in real estate industry and assets valuations sector. His experiences on valuations cover different areas of Italy. Angelo holds a Diploma of Geometry from the Ministry of Public Education.

VALUATION CERTIFICATE

Property to be Acquired by the Group for Occupation in Italy

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 11 October 2017
All commercial units at floor 00 and 01 and basement floor 1, and all car parks at basement floor 5 and 6 of a composite development located at 33, Giovanni Battista Pirelli Street, Milan, Italy	The Property comprises all commercial units at floor 00 and 01 and basement floor 1, and all car parks at basement floor 5 and 6 of a composite development. Upon completion, the subject development will consist of 14 residential floors erected over 2 retail floors plus 6 basement floors accommodating storage rooms, car parks and plant rooms. As per the development scheme provided, the proposed gross floor area of the Property is approximately 5,111.81 square metres. The area breakdown of the Property is listed as below: **Use** / **Proposed gross floor area (square metres)** Commercial: 3,281.38 Car Park: 1,830.43 Total: 5,111.81 The subject site has a site area of approximately 3,419.00 square metres.	The Property is currently under construction. As advised by the Group, the construction of the development is expected to be completed in June 2019.	EUR10,100,000 (Euro Ten Million and One Hundred Thousand) **Gross development value assuming completion as at 11 October 2017** EUR34,200,000 (Euro Thirty Four Million and Two Hundred Thousand)

Notes:

1. The Property was inspected by Angelo Collura Diploma of Geometry on 6 June 2017.

2. The valuation of the Property was prepared by Angelo Collura Diploma of Geometry and Vincent Cheung *BSc(Hons) MBA FRICS MHKIS RPS(GP) MISCM MHKSI.*

3. Pursuant to a Sales and Purchase Agreement dated December 2015, the subject site was transferred from CALATRAVA Real Estate Fund as the vendor to China Investment S.p.A. as the purchaser subject to a consideration of EUR22,000,000.00 plus Value-added Tax.

4. Pursuant to a Land Registration Record issued by the Provincial Office of Milan Territory dated 7 June 2017, the subject site has a site area of approximately 3,419.00 square metres.

5. Pursuant to a Construction Permit, No. PG. 828647/2013 Progr. 17210/2013, issued by the Urban Planning Department dated 21 March 2017, the subject development comprising a 16-storey composite building for residential and commercial purposes plus 6 basement floors accommodating storage rooms, car parks and plant rooms.

6. The gross development value of the Property by assuming that it has been completed and all relevant costs have been fully settled on the Valuation Date is assessed at circa EUR34,200,000.

7. According to the information provided by the Group, the total construction costs and the incurred construction costs for the subject development are circa EUR54,000,000 and circa EUR9,000,000 respectively.

8. The locational and market information of the Property are summarized as below:

Location	:	The Property is located at 33, Giovanni Battista Pirelli Street, Milan, Italy.
Transportation	:	Gioia Subway Station and Via Filzi Via Adda Light Rail Station are both located in approximately 250 metres away.
Nature of Surrounding Area	:	The subject area is mainly a residential and commercial area. The neighbourhood of the Property is predominated by residential buildings with ancillary commercial facilities.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2015, 2016 and 2017 are disclosed in the annual reports of the Company for the years ended 31 March 2015, 2016 and 2017 respectively. These annual reports are published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.vestategroup.com).

2. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 September 2017 (being the latest practicable date for the purpose of this indebtedness statement), the Group had outstanding borrowings of approximately HK$576,125,000, comprising convertible bonds of approximately HK$152,975,000, bonds of approximately HK$350,000,000, bank borrowings of approximately HK$72,877,000 and finance lease of approximately HK$273,000.

Contingent liabilities

As at the close of business on 30 September 2017 (being the latest practicable date for the purpose of this indebtedness statement), the Group has no material contingent liabilities outstanding.

Pledged assets and share charge

As at 31 March 2017, the Group pledged some of its land and building and assets held for sale to secure banking facilities granted to the Group with an aggregate carrying value of approximately HK$119 million.

On 5 May 2017, the Company entered into a subscription agreement with an investor, pursuant to which the Company agreed to issue and the investor agreed to subscribe from the Company, bonds in the principal amount of HK$350,000,000 due 2019. The Company charged 60,000,000 shares in China Consume Financial Holdings Company Limited, a wholly-owned subsidiary of the Company, in favour of the investor as a continuing security for the payment and discharge of the obligations of the Company under the bonds.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantees at the close of business of 30 September 2017.

The Directors are not aware of any material changes in the Group's indebtedness and contingent liabilities since the close of business on 30 September 2017.

3. WORKING CAPITAL

The next payment of Euro 10,200,000 (equivalent to approximately HK$89,148,000, 30% of the total Purchase Price) will be payable by the Company to the Vendor within 10 business days after completion of construction of the reinforced concrete of the top floor of the building, which would be after the next twelve months from the date of this circular.

The Directors are therefore of the opinion that, after taking into account of the Group's internal resources, cash flow from operations, banking facilities available to the Group, the Group will have sufficient working capital to satisfy its present requirements that is, for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

4. FINANCIAL EFFECTS OF THE ACQUISITION

Effect on assets and liabilities

Upon completion of the Acquisition, it is expected that the total assets would increase but the extent of the increase cannot be ascertained at the moment as the Properties are currently under construction and the construction is expected to be completed in June 2019. The extent of increase in total assets will depend on the fair value of the Properties upon completion of the Acquisition, which is expected to be in June 2019.

It is expected that the balance of the consideration payable by the Company under the Preliminary Agreement will be settled by equity financing and it is expected that there will not be any material effect on the total liabilities.

Effect on earnings

The Directors are of the view that the Acquisition will be likely to have a positive impact on the future earnings of the Group in the long run.

5. MATERIAL ADVERSE CHANGE

The Directors have confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited accounts of the Company were made up to.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

Upon completion of the Acquisition of the Properties, the Group intends to enhance its brand recognition and image in Milan. The Group will (i) lease out part of the Properties to set up a lifestyle flagship store that offers entertainment, shopping and catering enjoyment; (ii) further explore the e-payment business through the installation of POS machines with the potential merchants for the commercial units of the Properties; and (iii) carry out rental business by leasing out the remaining part of the Properties.

In addition, the Group will maintain its existing business to carry out the businesses of (i) retailing footwear products through its self-managed retail shops, concession points in department stores, franchised stores as well as online stores; (ii) footwear design and development; and (iii) e-payment and e-commerce. As at the Latest Practicable Date, the Group has no intention, negotiation, agreement, arrangement and understanding about any disposal, scaling-down and/or termination of its existing businesses and/or major operating assets.

Looking ahead, the Group will continue to strengthen its brand business and will continue to explore new business opportunity to expand its diversified business. In response to the uncertain market situation in coming year, the Group will actively pursue the following measures:

The Group intends to continue investing more resources in product design and its development team aiming to offer customers with fashionable and comfortable premier footwear at an affordable price. The product design and development team of the Group will continue to attend major footwear trade fairs and exhibitions to keep closely of the latest footwear trends. The team will also continue to collaborate with the Group's supplying manufacturers on applying new materials and technologies to enhance the quality and functions of the Group's products.

Riding on the business potentials of the fast-growing e-commerce market in the PRC, this segment will remain our focus this year. In order to expand its e-commerce business, the Group will continue to invest resources to its existing advanced logistics and warehousing infrastructure in Guangzhou, the PRC to improve customer services and speed up of product flow and at the same time, through the e-commerce platform to clear up the Group's inventory. The Group expects that the revenue from e-commerce will see a satisfactory growth in the coming future.

In order to open up new income source, the Group actively explored the new business opportunity and has preliminarily implemented the new business during this year. In February 2017, the Group acquired the China Consume Financial Holdings Company Limited, which is principally engaged in e-commerce and e-payment business. It enables the Group to develop the new business in e-commerce and e-payment business industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors and chief executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Name	Capacity	Number of shares/ underlying shares held	Approximate percentage of shareholding
Zhu Xiaojun *(Note 1)*	Interest in controlled corporation	513,300,002	71.67%
Kang Jianming *(Note 2)*	Beneficial owner	6,000,000	0.84%
Cai Jiaying *(Note 2)*	Beneficial owner	6,000,000	0.84%
Yin Wansun *(Note 2)*	Beneficial owner	6,000,000	0.84%
Zhao Hong *(Note 2)*	Beneficial owner	500,000	0.07%

Notes:

1. 513,300,002 Shares are beneficially owned by China Consume Elderly Care Holdings Limited, a company incorporated in the Republic of Seychelles with limited liability and the entire issued share capital of which is owned by Mr. Zhu Xiaojun, an executive Director and the chairman of the Company as well as the sole director of China Consume Elderly Care Holdings Limited. Accordingly, Mr. Zhu Xiaojun is deemed to be interested in the entire 513,300,002 Shares held by China Consume Elderly Care Holdings Limited under the SFO.

2. These represent the number of Shares which will be allotted and issued to such Directors upon the exercise of the options granted to each of them under the share option scheme adopted by the Company on 21 May 2007.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) where were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

3. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or have or may have any other conflicts of interest with the Group.

4. DIRECTORS' SERVICE CONTRACTS

Mr. Chau Wai Hing and Mr. Leung Man Ho have entered into service contracts with the Company for a period of one year and two months commencing from 1 February 2017, and for a fixed term from 19 June 2017 to 31 March 2018 respectively. All their appointments are subject to retirement by rotation, re-election and other related provisions according to the articles of association of the Company.

As at the Latest Practicable Date, other than as disclosed above, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which would not expire or was not determinable within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group. As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 March 2017 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. LITIGATION

As at the Latest Practicable Date, no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts, who have given opinions contained in and referred to in this circular:

Name	**Qualification**
Colliers International (Hong Kong) Ltd. ("**Colliers**")	Property valuer
Goldin Financial	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of Colliers and Goldin Financial did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2017, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, each of Colliers and Goldin Financial was not interested beneficially or non-beneficially in any Shares in the Company or any of its subsidiaries or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Colliers and Goldin Financial has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference to its name in the form and context in which it respectively appears.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

(i) the Preliminary Agreement;

(ii) the subscription agreement dated 5 May 2017 entered into by the Company and an investor pursuant to which the Company agreed to issue and the investor agreed to subscribe from the Company bonds in the principal amount of HK$350,000,000 due 2019;

(iii) the sale and purchase agreement dated 10 January 2017 entered into between Silver Summit Ventures Limited and Golden Ahead International Limited in respect of the sale and purchase of 10,000 shares of China Consume Financial Holdings Company Limited;

(iv) the loan agreements dated 28 September 2016 entered into between Billion International Trading (Shanghai) Company Limited and the borrower in relation to the advance of a loan in the total principal of up to RMB16,000,000;

(v) the loan agreements dated 21 September 2016 entered into between Billion International Trading (Shanghai) Company Limited and the borrower in relation to the advance of a loan in the total principal of up to RMB16,000,000;

(vi) the loan agreements dated 7 September 2016 entered into between Billion International Trading (Shanghai) Company Limited and the borrower in relation to the advance of a loan in the total principal of up to RMB16,000,000;

(vii) the subscription agreement dated 8 August 2016 entered into between the Company and Dunhuang Investment Holdings Limited in relation to the subscription of 10.5% interest bearing convertible bonds due 36 months from the date of issue in an aggregate principal amount of HK$150,000,000 issued by the Company;

(viii) the subscription agreement dated 24 June 2016 and entered into between the Company and the subscriber in relation to the subscription for the 6% interest bearing convertible bonds due 2020 in the aggregate principal amount of HK$30,000,000; and

(ix) the sale and purchase agreement dated 22 March 2016 and entered into among Walker Group International Company Limited and the vendors in relation to the sale and purchase of the entire issued share capital of Design Management Hong Kong Limited at the consideration of HK$13,000,000.

9. GENERAL

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business in Hong Kong of the Company is situated at 7th Floor, Hope Sea Industrial Centre, 26 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong.

(c) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Fung Wing Kam Terence, who is a certified public accountant and a certified information systems auditor.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text thereof.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection (i) at 7th Floor, Hope Sea Industrial Centre, 26 Lam Hing Street, Kowloon Bay, Kowloon, Hong Kong during normal business hours on any weekday (except public holidays); (ii) on the website of the Company (http://www.agritraderesources.com/); and (iii) on the website of the SFC (www.sfc.hk) from the date of this circular up to and including the date of the EGM:

(a) the memorandum of association and articles of association of the Company;

(b) the letter from Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;

(c) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 45 of this circular;

(d) the valuation report from Colliers International (Hong Kong) Ltd. on the Properties, the text of which is set out on pages 46 to 51 of this circular;

(e) the written consent as referred to under the section headed "Experts and Consents" in this appendix;

(f) the service contracts as referred to under the section headed "Directors' service contracts" in this appendix;

(g) the material contracts as referred to in the paragraph headed "Material contracts" in this appendix;

(h) this circular; and

(i) the annual reports of the Company and its subsidiaries for the two financial years ended 31 March 2016 and 31 March 2017.

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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**Meeting**") of Vestate Group Holdings Limited (the "**Company**") will be held at Room 638, 6/F, Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on Monday, 27 November 2017 at 2:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the preliminary agreement dated 17 June 2017 (the "**Preliminary Agreement**") (a copy of which has been tabled at the meeting marked "A" and signed by the chairman of the Meeting for the purpose of identification), entered into between the Company as purchaser and China Investment S.p.A. as vendor in relation to the purchase and sale of all commercial units at floor 00 and 01 and basement floor 1 with total gross floor area of 3281.38 square metres and all car parks at basement floor 5 and floor 6 with total gross floor area of 1830.43 square metres situated at 33, Giovanni Battista Pirelli Street, Milan, Italy and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such further acts and things and execute all such further documents and take all steps which in his/her opinion may be necessary, desirable or expedient to implement and/or give effect to the Preliminary Agreement and the transactions contemplated thereunder, and to approve any changes and amendments thereto as he/she may consider to be necessary, desirable or expedient."

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

Hong Kong, 31 October 2017

Registered office:	*Head office of business in Hong Kong:*
Cricket Square	7th Floor
Hutchins Drive	Hope Sea Industrial Centre
P.O. Box 2681	26 Lam Hing Street
Grand Cayman KY1-1111	Kowloon Bay, Kowloon
Cayman Islands	Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, vote on his behalf and such proxy need not be a member of the Company. A form of proxy for use at the Meeting is enclosed.

2. In order to be valid, the form of proxy, together with any power of attorney or authority under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than Saturday, 25 November 2017 at 2:30 p.m. or any adjournment thereof.

3. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.

4. The proposed ordinary resolution set out in this notice will be voted by independent shareholders of the Company and by way of a poll.

5. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

6. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto. If more than one of such joint holders are present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

7. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the Meeting will be Tuesday, 21 November 2017. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 21 November 2017.