

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



VESTATE GROUP HOLDINGS LIMITED

國投集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1386)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020 AND RESUMPTION OF TRADING

The board of directors (the “Board”) of Vestate Group Holdings Limited (the “Company”) presents the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2020 (the “Year”), together with comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000 (restated)
Revenue	5	40,980	112,067
Cost of sales	6	(6,301)	(70,444)
Service costs	6	(7,711)	(723)
Gross profit		26,968	40,900
Selling and distribution costs	6	(17,674)	(115,329)
Administrative expenses	6	(37,190)	(84,916)
Other gains or losses	7	(88,647)	(33,676)
Other income	8	1,980	3,375
Operating loss		(114,563)	(189,646)
Finance income	9	4	12,495
Finance costs	9	(198,484)	(77,508)
Finance costs, net	9	(198,480)	(65,013)
Share of losses of associates		(1,417)	(2,727)

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
Loss before income tax		(314,460)	(257,386)
Income tax credit	10	<u>19,002</u>	<u>–</u>
Loss for the year		<u>(295,458)</u>	<u>(257,386)</u>
Loss for the year attributable to:			
Equity holders of the Company		(290,990)	(256,597)
Non-controlling interests		<u>(4,468)</u>	<u>(789)</u>
		<u>(295,458)</u>	<u>(257,386)</u>
		2020 <i>HK cents</i>	2019 <i>HK cents</i> (restated)
Loss per share attributable to equity holders of the Company	11		
– Basic		(40.63)	(35.83)
– Diluted		<u>(40.63)</u>	<u>(35.83)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
Loss for the year	(295,458)	(257,386)
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	(2,380)	(8,498)
Reclassification adjustment relating to foreign operations disposed of	466	–
Other comprehensive loss for the year	(1,914)	(8,498)
Total comprehensive loss for the year	(297,372)	(265,884)
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	(293,149)	(265,324)
Non-controlling interests	(4,223)	(560)
	(297,372)	(265,884)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	At 31 March 2020 <i>HK\$'000</i>	At 31 March 2019 <i>HK\$'000</i> (restated)	At 1 April 2018 <i>HK\$'000</i> (restated)
Non-current assets				
Property, plant and equipment		739	3,389	7,958
Right-of-use assets	13	6,216	–	–
Goodwill		–	–	–
Other intangible assets	14	126,652	373	804
Interest in a joint venture		–	510	510
Interests in associates		11,009	12,962	6,530
Available-for-sale financial assets		–	–	6,248
Deposits and prepayments		276	1,155	11,363
		<u>144,892</u>	<u>18,389</u>	<u>33,413</u>
Current assets				
Inventories		–	2,509	97,010
Trade receivables	15	1,568	4,390	38,323
Deposits, prepayments and other receivables		114,083	114,612	136,014
Loans receivable		148,312	135,846	130,873
Amounts due from associates		6,797	6,469	3,662
Cash and cash equivalents		5,051	1,763	53,514
		<u>275,811</u>	<u>265,589</u>	<u>459,396</u>
Assets classified as held-for-sale	16	–	245,111	241,830
		<u>275,811</u>	<u>510,700</u>	<u>701,226</u>
Current liabilities				
Trade payables	17	52,999	62,872	102,737
Accruals and other payables		273,386	54,242	36,577
Borrowings		–	–	5,130
Obligations under finance lease		–	97	97
Convertible bonds		187,706	141,522	17,550
Corporate bond payable		405,000	400,323	–
Amounts due to associates		2,187	2,445	–
Lease liabilities		3,124	–	–
Income tax payable		1,010	1,006	1,077
		<u>925,412</u>	<u>662,507</u>	<u>163,168</u>
Liabilities directly associated with assets classified as assets held-for-sale	16	–	66,477	52,408
		<u>925,412</u>	<u>728,984</u>	<u>215,576</u>
Net current (liabilities)/assets		<u>(649,601)</u>	<u>(218,284)</u>	<u>485,650</u>
Total assets less current liabilities		<u>(504,709)</u>	<u>(199,895)</u>	<u>519,063</u>

	At 31 March 2020	At 31 March 2019	At 1 April 2018
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)	(restated)
Non-current liabilities			
Obligations under finance lease	–	32	129
Convertible bonds	–	28,360	137,053
Corporate bond payable	–	–	344,678
Lease liabilities	3,205	–	–
Deferred tax liabilities	17,071	–	–
	<u>(20,276)</u>	<u>(28,392)</u>	<u>(481,860)</u>
Net (liabilities)/assets	<u>(524,985)</u>	<u>(228,287)</u>	<u>37,203</u>
Equity			
Share capital	71,619	71,619	71,619
Share premium	673,503	673,503	673,503
Reserves	(1,266,957)	(972,082)	(707,152)
Equity attributable to owners of the Company	(521,835)	(226,960)	37,970
Non-controlling interests	(3,150)	(1,327)	(767)
Total equity	<u>(524,985)</u>	<u>(228,287)</u>	<u>37,203</u>

NOTES:

1 GENERAL INFORMATION

Vestate Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are principally engaged in the retailing of footwear, financial services business, operation of convenience stores and e-Commerce and e-Payment business.

The Company was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The headquarter and principal place of business in Hong Kong is located in Unit E, 22/F, Tower A, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon.

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

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”).

These consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is the same as the functional currency of the Company.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets and financial liabilities which are measured at fair value.

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

2.1 Going concern basis

Notwithstanding that the current liabilities of the Group at 31 March 2020 exceed the Group’s current assets at that date by HK\$649,601,000, which includes the convertible bonds and corporate bond payable amounted to HK\$187,706,000 and HK\$405,000,000 respectively, the Directors considered it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures to be implemented:

- (a) On 23 June 2020, an independent third party granted a stand-by revolving loan facilities of up to RMB200,000,000 to the Group, which is available to draw down on or before 30 June 2021. The loan facility is guaranteed by Mr. ZHU Xiaojun, the Chairman of the Company, and bears interest at 18% per annum. The Directors believe that this loan facility is available for draw down as additional working capital of the Group, as and when needed.
- (b) The Group is implementing various measures, such as optimising its overall sales network by relocating certain outlets, and controlling the costing to improve the profit margin and operating cashflows of its footwear retailing business.

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

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 March 2020. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

2.2 New and amended standards adopted by the Group

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendment to HKFRSs	Annual Improvements 2015–2017 cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and financial position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 “Leases” (“HKFRS 16”)

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contract that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applied the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients of elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within twelve months of the date of initial application to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- (iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC/Hong Kong was determined on a portfolio basis; and
- (iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.375% per annum.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

	<i>HK\$'000</i>
Operating lease commitment as at 31 March 2019	15,752
Lease liabilities discounted at incremental borrowing rates of 5.375% per annum	15,189
Add: Transfer from obligations under finance lease	129
Less: Short term leases not recognised as a liability	(7,004)
Lease liabilities as at 1 April 2019	8,314
Analysed as:	
Current	3,935
Non-current	4,379
	8,314

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

Right-of-use assets relating to operating leases recognised upon application of HKFRS 16:

	<i>HK\$'000</i>
Right-of-use assets at 1 April 2019 recognised upon initial application of HKFRS 16	8,185
Analysed as:	
Leased properties	8,185

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 <i>HK\$'000</i>	Impact of adopting HKFRS 16 <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 April 2019 <i>HK\$'000</i>
Right-of-use assets	–	8,185	8,185
Obligations under finance lease	129	(129)	–
Lease liabilities – current	–	3,935	3,935
Lease liabilities – non-current	–	4,379	4,379
	–	4,379	4,379

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

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs issued but not effective will have no material impact on the consolidated financial statements in the foreseeable future.

3. RESTATEMENT OF COMPARATIVE INFORMATION

(a) Prior period adjustment

Deposit paid

In February 2017, the Group acquired 100% equity interest in China Consume Financial Holdings Company Limited (“**China Consume**”) through a 100% owned subsidiary for a total consideration of HK\$178,700,000, which consist of a cash consideration of HK\$83,500,000 and issue of shares of the Company with fair value of HK\$95,200,000 as at 8 February 2017 and obtained control of China Consume. China Consume is principally engaged in e-Commerce and e-Payment business.

A sum of US\$2,000,000 (equivalent to HK\$15,698,000) had been paid by the pre-acquisition shareholder of China Consume for risk reserve deposit on behalf of China Consume, and this sum of US\$2,000,000 (HK\$15,698,000) owed by China Consume to the pre-acquisition shareholder had been waived upon completion of the acquisition. Such payment of HK\$15,698,000 made by and thereafter waived by the pre-acquisition shareholder were not previously recorded and accounted for in the consolidated financial statements of the Group for the years ended 31 March 2018 and 31 March 2019. Prior period adjustments have been made in this respect in the consolidated financial statements of the current year which resulted in the increase in deposits and prepayments at 31 March 2020 by HK\$15,698,000 and the decrease in goodwill as at that date (non-current assets) by the same amount. The following adjustments have been made for the prior years’ comparative information of the Group’s consolidated statement of financial position. Line items are not affected by the changes have not been included.

	31 March 2019	1 April 2018
	<i>HK\$’000</i>	<i>HK\$’000</i>
Current Assets		
Assets classified as held for sale		
As previously reported	245,111	241,830
Prior period adjustments		
– Decrease in goodwill attributable to acquisition of China Consume	(15,698)	(15,698)
– Increase in prepayments and deposits on payment for risk reserve deposit	15,698	15,698
	<u>245,111</u>	<u>241,830</u>
As restated	<u><u>245,111</u></u>	<u><u>241,830</u></u>

The prior period adjustments have had no impact on the Group’s consolidated profit or loss for each of the years ended 31 March 2020 and 31 March 2019.

(b) Change of discontinued operations

During the current year, the Group reactivated its e-Commerce and e-Payment business, which was discontinued by the Group in the past years. Accordingly, the income and expenses of this business segment, which were previously accounted for under the item of discontinued operations presented in the consolidated income statement, are reclassified and included in the appropriate items of income and expenses presented in the consolidated income statement for the current year. Comparative information for the year ended 31 March 2019 has been restated to conform with the current year’s presentation.

The effects on the items presented in the consolidated income statement for the prior year ended 31 March 2019 and consolidated statement of financial position as at 31 March 2019 and 1 April 2018 arising from the prior period adjustments and change of discontinued operations are summarised below. Line items not affected by the changes are not included.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 March 2019			
	As previously reported	Prior period adjustments	Change of discontinued operations	As restated
	<i>HK\$'000</i>	<i>(Note 3(a)) HK\$'000</i>	<i>(Note 3(b)) HK\$'000</i>	<i>HK\$'000</i>
Revenue	110,349	–	1,718	112,067
Cost of sales	(70,444)	–	–	(70,444)
Service costs	–	–	(723)	(723)
	<u>39,905</u>	<u>–</u>	<u>995</u>	<u>40,900</u>
Gross profit	39,905	–	995	40,900
Selling and distribution costs	(115,329)	–	–	(115,329)
Administrative expenses	(73,048)	–	(11,868)	(84,916)
Other gains or losses	(33,676)	–	–	(33,676)
Other income	3,375	–	–	3,375
	<u>(178,773)</u>	<u>–</u>	<u>(10,873)</u>	<u>(189,646)</u>
Operating loss	(178,773)	–	(10,873)	(189,646)
Finance income	12,495	–	–	12,495
Finance costs	(77,508)	–	–	(77,508)
	<u>(65,013)</u>	<u>–</u>	<u>–</u>	<u>(65,013)</u>
Finance costs, net	(65,013)	–	–	(65,013)
Share of losses of associates	(2,300)	–	(427)	(2,727)
	<u>(246,086)</u>	<u>–</u>	<u>(11,300)</u>	<u>(257,386)</u>
Loss before income tax	(246,086)	–	(11,300)	(257,386)
Income tax credit	–	–	–	–
	<u>(246,086)</u>	<u>–</u>	<u>(11,300)</u>	<u>(257,386)</u>
Loss for the year from continuing operations	(246,086)	–	(11,300)	(257,386)
Loss for the year from discontinued operations	(11,300)	–	11,300	–
	<u>(257,386)</u>	<u>–</u>	<u>–</u>	<u>(257,386)</u>
Loss for the year	<u>(257,386)</u>	<u>–</u>	<u>–</u>	<u>(257,386)</u>

There were no effects on the Group's loss per share attributable to equity holders of the Company for the year ended 31 March 2019 arising from the prior period adjustments and change of discontinued operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2019			
	As previously reported	Prior period adjustments	Change of discontinued operations	As restated
	<i>HK\$'000</i>	<i>(Note 3(a)) HK\$'000</i>	<i>(Note 3(b)) HK\$'000</i>	<i>HK\$'000</i>
Assets classified as held for sale				
Property, plant and equipment	276	–	–	276
Intangible assets	229,173	(15,698)	–	213,475
Interest in an associate	174	–	–	174
Trade receivables, prepayments and other receivables	–	15,698	–	15,698
Cash and cash equivalents	15,488	–	–	15,488
	<u>245,111</u>	<u>–</u>	<u>–</u>	<u>245,111</u>
Assets classified as held for sale presented in consolidated statement of financial position				
	<u>245,111</u>	<u>–</u>	<u>–</u>	<u>245,111</u>
	As at 1 April 2018			
	As previously reported	Prior period adjustments	Change of discontinued operations	As restated
	<i>HK\$'000</i>	<i>(Note 3(a)) HK\$'000</i>	<i>(Note 3(b)) HK\$'000</i>	<i>HK\$'000</i>
Assets classified as held for sale				
Property, plant and equipment	506	–	–	506
Intangible assets	239,070	(15,698)	–	223,372
Interest in an associate	645	–	–	645
Trade receivables, prepayments and other receivables	865	15,698	–	16,563
Cash and cash equivalents	744	–	–	744
	<u>241,830</u>	<u>–</u>	<u>–</u>	<u>241,830</u>
Assets classified as held for sale presented in consolidated statement of financial position				
	<u>241,830</u>	<u>–</u>	<u>–</u>	<u>241,830</u>

4 SEGMENT INFORMATION

The Group is principally engaged in the retailing of footwear and convenience stores, financial services business and e-Commerce and e-Payment business.

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

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

- Retail business:
 - Footwear
 - Convenience stores
- Financial services business
- e-Commerce and e-Payment

In the prior year ended 31 March 2018, the Group discontinued its e-Commerce and e-Payment business and this segment was treated as discontinued operations for the year ended 31 March 2019. During the year, management of the Company reviewed the business development of the Group and considered that it is beneficial and appropriate to reactivate the e-Commerce and e-Payment business. For the purpose of segment reporting, this e-Commerce and e-Payment business was regarded one of the reporting segments in order to allow Executive Director to assess the Group performance and allocate resources.

The Executive Directors assess the performance of the operating segments based on a measure of segment loss without allocation of administrative expenses, other gains or losses (exclude impairment losses recognised in respect of goodwill and other intangible assets), other income and finance income/(costs), which is consistent with that in the financial statements.

Segment assets mainly exclude interests in associates, amounts due from associates and refundable advance payment (included in deposits, prepayments and other receivables).

Segment liabilities mainly exclude income tax payable, convertible bonds, corporate bond payable, amounts due to associates and obligations under finance lease.

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

(a) **Business segments**

The segment revenue and results for the year ended 31 March 2020 are as follows:

	Retail business		Financial services <i>HK\$'000</i>	e-Commerce and e-Payment		Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Footwear <i>HK\$'000</i>	Convenience stores <i>HK\$'000</i>		<i>HK\$'000</i>			
Revenue from external customers	7,483	8,027	12,212	13,258	-	40,980	
Inter-segment sale	-	-	-	-	-	-	
Segment revenue	<u>7,483</u>	<u>8,027</u>	<u>12,212</u>	<u>13,258</u>	<u>-</u>	<u>40,980</u>	
Segment (loss)/gain	(10,620)	2,155	12,212	(74,419)	(43,891)	(114,563)	
Finance income						4	
Finance costs						(198,484)	
Share of losses of associates						(1,417)	
Income tax credit						<u>19,002</u>	
Loss for the year						<u><u>(295,458)</u></u>	
Other segment items are as follows:							
Capital expenditure	190	609	-	-	-	799	
Share of losses of associates	-	-	-	-	1,417	1,417	
Share option expenses reversal	-	-	-	-	(794)	(794)	
Depreciation of property, plant and equipment	762	10	-	230	213	1,215	
Amortisation of intangible assets	77	-	-	7,013	-	7,090	
Depreciation of right-of-use assets	2,912	-	426	1,011	-	4,349	
Impairment losses recognised in respect of:							
- property, plant and equipment	-	-	-	-	-	-	
- goodwill	-	-	-	20,455	-	20,455	
- other intangible assets	-	-	-	59,511	-	59,511	
Loss on disposal of property, plant and equipment	1,659	-	-	-	-	1,659	
Write off of inventories	-	-	-	-	-	-	
Impairment loss on trade receivables	<u>1,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,744</u>	

The segment revenue and results for the year ended 31 March 2019 are as follows:

	Retail business		Financial services HK\$'000	e-Commerce and e-Payment		Unallocated HK\$'000	Total HK\$'000 (restated)
	Footwear HK\$'000	Convenience stores HK\$'000		(restated)			
Revenue from external customers	110,349	-	-	1,718	-	112,067	
Inter-segment sale	-	-	-	-	-	-	
Segment revenue	110,349	-	-	1,718	-	112,067	
Segment (loss)/gain	(75,424)	-	-	995	(115,217)	(189,646)	
Finance income						12,495	
Finance costs						(77,508)	
Share of losses of associates						(2,727)	
Income tax expense						-	
Loss for the year						<u>(257,386)</u>	
Other segment items are as follows:							
Capital expenditure	174	-	-	-	448	622	
Share of losses of associates	-	-	-	427	2,300	2,727	
Share option expenses recognised	-	-	-	-	2,574	2,574	
Depreciation of property, plant and equipment	3,888	-	-	230	246	4,364	
Amortisation of intangible assets	162	-	-	9,897	-	10,059	
Depreciation of right-of-use assets	-	-	-	-	-	-	
Impairment losses recognised in respect of:							
- property, plant and equipment	157	-	-	-	-	157	
- goodwill	-	-	-	-	-	-	
- other intangible assets	-	-	-	-	-	-	
Loss on disposal of property, plant and equipment	278	-	-	-	-	278	
Write off of inventories	23,976	-	-	-	-	23,976	
Impairment loss on trade receivables	7,558	-	-	-	-	7,558	

The segment assets and liabilities at 31 March 2020 are as follows:

	Retail business		Financial services <i>HK\$'000</i>	e-Commerce and e-Payment <i>HK\$'000</i>	Total <i>HK\$'000</i>
	Footwear <i>HK\$'000</i>	Convenience stores <i>HK\$'000</i>			
Segment assets	13,852	6,012	148,600	150,662	319,126
Unallocated assets					<u>101,577</u>
Total assets					<u><u>420,703</u></u>
Segment liabilities	116,345	590	939	59,146	177,020
Unallocated liabilities					<u>768,668</u>
Total liabilities					<u><u>945,688</u></u>

The segment assets and liabilities at 31 March 2019 are as follows:

	Retail business		Financial services <i>HK\$'000</i>	e-Commerce and e-Payment <i>HK\$'000</i> (restated)	Total <i>HK\$'000</i>
	Footwear <i>HK\$'000</i>	Convenience stores <i>HK\$'000</i>			
Segment assets	32,547	–	–	245,111	277,658
Unallocated assets					<u>251,431</u>
Total assets					<u><u>529,089</u></u>
Segment liabilities	118,868	–	–	66,477	185,345
Unallocated liabilities					<u>572,031</u>
Total liabilities					<u><u>757,376</u></u>

	Non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	5,641	3,021
PRC	138,975	14,204
Taiwan	–	9
	<u><u>144,616</u></u>	<u><u>17,234</u></u>

The non-current assets exclude deposits and prepayments.

(b) Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group as follows:

	Revenue generated from	2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	e-Commerce and e-Payment	9,399	N/A

Note: The revenue from customer A for the year ended 31 March 2019 did not exceed 10% of the total revenue of the Group for that year.

5 REVENUE

The following is an analysis of the Group's revenue for the year:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Revenue from retail business		
– Footwear	7,483	110,349
– Convenience stores	8,027	–
Revenue from e-Commerce and e-Payment business	13,258	1,718
Revenue from finance services business	12,212	–
	40,980	112,067

Revenue from footwear and convenience stores mainly represents sales of goods and rendering of franchise and management services respectively. Revenue from e-Commerce and e-Payment are recognised at point in time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers. Revenue from financial services business, which represents interest income from loans receivable, is recognised using effective interest method.

6 EXPENSES BY NATURE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
Cost of inventories sold in inventories	6,301	70,444
Auditor's remuneration		
– Audit service	1,100	1,200
– Non-audit service	–	–
Depreciation of property, plant and equipment		
– owned assets	1,154	4,011
– leased assets	61	123
Depreciation of right-of-use assets	4,349	–
Impairment of property, plant and equipment	–	157
Amortisation of other intangible assets	7,090	162
Operating lease rental in respect of leasehold land and buildings		
– minimum lease payments	3,211	12,864
– turnover rental expenses	5,725	38,615
Advertising and promotion expenses	210	3,104
Employee benefit expenses	20,749	86,774
Other expenses	18,926	53,958
	<u>68,876</u>	<u>271,412</u>
Total cost of sales, service costs, selling and distribution costs and administrative expenses	<u>68,876</u>	<u>271,412</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
Cost of sales	6,301	70,444
Service costs	7,711	723
Selling and distribution costs	17,674	115,329
Administrative expenses	37,190	84,916
	<u>68,876</u>	<u>271,412</u>

7 OTHER GAINS OR LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (restated)
Loss on disposal of property, plant and equipment	(1,659)	(278)
Loss on disposal of intangible assets	(279)	–
Loss on disposal of subsidiaries	(1,499)	–
Gain on disposal of leases	40	–
Impairment loss on loans receivable	(719)	(1,952)
Impairment loss on other intangible assets	(59,511)	–
Impairment loss on goodwill	(20,455)	–
Reversal of impairment loss on other receivables	171	–
Write off of inventories	–	(23,976)
Impairment loss on trade receivables	(1,744)	(7,558)
Net foreign exchange (losses)/gains	(2,992)	88
	<u>(88,647)</u>	<u>(33,676)</u>
Net losses	<u>(88,647)</u>	<u>(33,676)</u>

8 OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Licence fee and royalty income	–	239
Government subsidies (<i>note</i>)	860	1,899
Gain on disposal of subsidiaries	–	512
Others	1,120	725
	<u>1,980</u>	<u>3,375</u>

Note: Government subsidies represent incentives received from the PRC tax authority for operating investment in Waigaoqiao Free Trade Zone in the PRC.

9 FINANCE COSTS, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance income		
– Interest income from bank deposits	4	10
– Interest income – others	–	12,485
	<u>4</u>	<u>12,495</u>
Finance costs		
– Fair value loss on convertible bond	(13,902)	(16,768)
– Interest on convertible bonds (<i>note</i>)	(37,544)	(5,067)
– Interest on corporate bond payable (<i>note</i>)	(146,617)	(55,645)
– Interest on bank borrowings	–	(17)
– Interest expense on lease liabilities	(408)	–
– Interest on obligations under finance lease	(13)	(11)
	<u>(198,484)</u>	<u>(77,508)</u>
Finance costs, net	<u>(198,480)</u>	<u>(65,013)</u>

Note: The Group defaulted in repayments of a convertible bond and a corporate bond following the maturity of these convertible bond and corporate bond. Default interests on convertible bond and corporate bond payable amounted to approximately HK\$31,825,000 (2019: Nil) and HK\$140,940,000 (2019: Nil) were recognised and included in the interests on convertible bonds and corporate bond payable respectively.

10 INCOME TAX CREDIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The income tax charge/(credit) represents:		
Current income tax		
– Hong Kong profits tax	–	–
– PRC corporate income tax	70	–
	<u>70</u>	–
Under provision in prior years		
– Hong Kong profits tax	10	–
	<u>10</u>	–
Deferred tax credit	80	–
	<u>(19,082)</u>	–
	<u>(19,002)</u>	–

Hong Kong profits tax has not been provided for as the Group has no assessable profits for the years ended 31 March 2020 and 2019.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (“**BVI**”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

11 LOSS PER SHARE

(a) *Basic*

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

	2020	2019 (restated)
Loss attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>(290,990)</u>	<u>(256,597)</u>
Number of ordinary shares in issue (<i>'000</i>)	<u>716,190</u>	<u>716,190</u>

(b) *Diluted*

The computation of diluted loss per share does not assume the exercise of the Company’s share options because the exercise price of those share options was higher than the average market price for shares of the Company for both of the years ended 31 March 2020 and 2019.

Diluted loss per share is the same as basic loss per share for the year ended 31 March 2020 and 2019 as there were no other dilutive potential ordinary shares outstanding during both of the years presented.

12 DIVIDEND

The directors of the Company do not recommend any payment of dividend in respect of the year ended 31 March 2020 (2019: Nil).

13 RIGHT-OF-USE ASSETS

	Leased properties <i>HK\$'000</i>
Carrying amount at 1 April 2019 (<i>Note 2.2</i>)	8,185
Additions, at cost	5,991
Disposals upon termination of leases	(3,611)
Depreciation provided for the year ended 31 March 2020	<u>(4,349)</u>
Carrying amount at 31 March 2020	<u><u>6,216</u></u>
Expense relating to short-term leases and other leases with lease terms end within twelve months of the date of initial application of HKFRS 16	<u><u>8,936</u></u>
Total cash outflow for leases for the year ended 31 March 2020	<u><u>4,605</u></u>

The Group leases office and retail shops under non-cancellable operating lease for its operations. Lease contracts are entered into for fixed terms of one to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The right-of-use assets are depreciated on a straight line basis over the lease terms.

14 OTHER INTANGIBLE ASSETS

	Licence <i>HK\$'000</i> <i>(Note below)</i>	Computer software <i>HK\$'000</i>	Trademark <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 April 2018	318	19,045	69,566	88,929
Disposal of subsidiaries	–	(323)	–	(323)
Disposals	–	(5)	(69,566)	(69,571)
Exchange differences	–	(374)	–	(374)
At 31 March 2019 and 1 April 2019	318	18,343	–	18,661
Reclassified from assets held for sale	193,629	9,288	–	202,917
Additions	–	156	–	156
Disposals	–	(14,145)	–	(14,145)
Exchange differences	–	(273)	–	(273)
At 31 March 2020	<u>193,947</u>	<u>13,369</u>	<u>–</u>	<u>207,316</u>
Accumulated amortisation and impairment				
At 1 April 2018	318	18,241	69,566	88,125
Amortisation charge provided for the year	–	162	–	162
Disposal of subsidiaries	–	(81)	–	(81)
Eliminated on disposals	–	(5)	(69,566)	(69,571)
Exchange difference	–	(347)	–	(347)
At 31 March 2019 and 1 April 2019	318	17,970	–	18,288
Reclassified from assets held for sale	9,574	323	–	9,897
Amortisation charge provided for the year	6,561	529	–	7,090
Impairment loss recognised for the year	59,511	–	–	59,511
Eliminated on disposals	–	(13,866)	–	(13,866)
Exchange difference	–	(256)	–	(256)
At 31 March 2020	<u>75,964</u>	<u>4,700</u>	<u>–</u>	<u>80,664</u>
Carrying amount				
At 31 March 2020	<u>117,983</u>	<u>8,669</u>	<u>–</u>	<u>126,652</u>
At 31 March 2019	<u>–</u>	<u>373</u>	<u>–</u>	<u>373</u>

Note: In February 2017, the Group acquired a provisional licence through acquisition of China Consume. The licence is a provisional licence issued by UnionPay International Co., Ltd (“UPI”) which allows the holder to conduct payment processing services for UPI credit cards in Hong Kong, Japan, Korea, Italy and France.

15 TRADE RECEIVABLES

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	18	1,640
31–60 days	–	1,622
61–90 days	1,549	890
Over 90 days	9,154	8,185
	<u>10,721</u>	<u>12,337</u>
Less: Provision for impairment of trade receivables	(9,153)	(7,947)
	<u>1,568</u>	<u>4,390</u>

16 NET ASSETS HELD FOR SALE

	31 March 2019 <i>HK\$'000</i> (restated)
Fair value less cost of disposal	194,000
Non-current assets	
Property, plant and equipment	276
Intangible assets	213,475
Interests in an associate	174
Current assets	
Trade receivables, prepayments and other receivables	15,698
Cash and cash equivalents	<u>15,488</u>
Assets classified as held for sale	<u>245,111</u>
Current liabilities	
Trade and other payables	(30,324)
Deferred tax liabilities	<u>(36,153)</u>
Liabilities directly associated with assets classified as assets held for sale	<u>(66,477)</u>
Net assets held for sale	<u>178,634</u>

During the current year, following the reactivation by the Group of its e-Commerce and e-Payment business, details of which are set out in note 3(b), the assets and liabilities of China Consume have been reclassified and included in the appropriate line items of assets and liabilities presented in the Group's consolidated statement of financial position.

17 TRADE PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–30 days	–	4
31–60 days	–	–
61–90 days	–	19
Over 90 days	<u>52,999</u>	<u>62,849</u>
	<u>52,999</u>	<u>62,872</u>

The following is an extract of the auditors' report on the Group's financial statements for the year ended 31 March 2020:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(a) Opening balances and corresponding figures

As detailed in the auditor's report dated 28 June 2019 on the consolidated financial statements of the Group for the year ended 31 March 2019 (the "**2019 Financial Statements**"), the predecessor auditor disclaimed their opinion on the Group's consolidated financial statements for the year ended 31 March 2019.

Accordingly, we are unable to carry out audit procedures on the opening balances as to whether the 2019 Financial Statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance and cash flows for the year then ended. In addition, we are also unable to form an opinion as to whether the consolidated assets and liabilities of the Group at 31 March 2019 presented in the consolidated statement of financial position are appropriately carried forward and recognised as the opening balances of the Group's respective assets and liabilities as at 1 April 2019.

(b) Going concern

As disclosed in note 2.1 to the consolidated financial statements, the current liabilities of the Group at 31 March 2020 exceed the Group's current assets at that date by approximately HK\$649,601,000 and the Group incurred net loss of approximately HK\$295,458,000 and HK\$257,386,000 for the years ended 31 March 2020 and 31 March 2019 respectively.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures to be undertaken by the Group. In view of the extent of the material uncertainties relating to the results of those measures (detailed in note 2.1) to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we are unable to form an opinion as to whether it is appropriate for the preparation of the consolidated financial statement on a going concern basis.

Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

(c) Recoverability of loans receivable

As at 31 March 2020, the Group had loans receivable with the carrying amount of approximately HK\$148,312,000.

We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the loans receivable and whether impairment losses are required to be made against these receivables.

Any adjustments that might have been found necessary might have an effect on the Group's net liabilities as at 31 March 2020 and 31 March 2019, and its financial performance and cash flows of the Group for the respective years then ended, and the related disclosures thereof in the consolidated financial statements.

(d) Interests payable on convertible bond and corporate bond

Included in accruals and other payables at 31 March 2020 are default interests payable on a convertible bond and a corporate bond amounted to approximately HK\$31,825,000 and HK\$140,940,000 respectively.

We are unable to obtain sufficient appropriate audit evidence to substantiate that the default interests payable on convertible bond and corporate bond are appropriately recognised in the consolidated financial statements. Any adjustments, if any, to be made against the default interests payable on convertible bond and corporate bond might have an effect on the Group's net liabilities as at 31 March 2020 and 31 March 2019 and its consolidated financial performance for the respective years then ended and the related disclosures thereof in the consolidated financial statements.

MATERIAL DIFFERENCES BETWEEN ANNOUNCEMENT OF UNAUDITED AND AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

Reference is made to Announcement of Unaudited Annual Results for the year ended 31 March 2020. Since subsequent adjustments have been made to the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement for the year ended 31 March 2020 upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the following material differences between the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement and the audited annual results of the Group for the year ended 31 March 2020 in this announcement.

Item for the year ended 31 March 2020

	<i>Notes</i>	Disclosure in this announcement <i>HK\$'000</i> (audited)	Disclosure in the Unaudited Annual Announcement <i>HK\$'000</i> (unaudited)	Difference <i>HK\$'000</i>
Consolidated Income Statement				
Administrative expenses	a	(37,190)	(117,156)	79,966
Other gains or losses	a	(88,647)	(8,681)	(79,966)
		<u> </u>	<u> </u>	<u> </u>
Consolidated Statement of Comprehensive Income				
Reclassification adjustment relating to foreign operations disposed of	b	466	–	466
Total comprehensive loss for the year	b	(297,372)	(297,838)	466
		<u> </u>	<u> </u>	<u> </u>
Consolidated Statement of Financial Position				
Accruals and other payables	c	273,386	100,621	172,765
Convertible bonds	c	187,706	219,531	(31,825)
Corporate bond payable	c	405,000	545,940	(140,940)
		<u> </u>	<u> </u>	<u> </u>

Notes:

- (a) Reclassification of impairment losses on goodwill and other intangible assets to other gains or losses.
- (b) Adjustment was made after review by the Auditors.
- (c) Reclassification of default interest payables on convertible bonds and corporate bond payable to accruals and other payables.

Save as disclosed in this announcement and the corresponding adjustments related to the above differences, there is no material change in other information contained in the Unaudited Annual Results Announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the financial year ended 31 March 2020, the Group recorded a decrease of 63.4% in its consolidated revenue to approximately HK\$41 million (2019: HK\$112 million), which comprised mainly in retail business, financial services business and e-Commerce and e-Payment business. The Group's overall operating expenses as a percentage of turnover decreased by 44.8 percentage points. Loss attributable to the equity holders was approximately HK\$291 million for the year ended 31 March 2020 (2019: HK\$257 million). Loss per share amounted to approximately HK40.63 cents per share (2019: HK35.83 cents).

Retail Business

During the year, the Group is engaged in the retail of footwear products. Due to the outbreak of COVID-19, coupled with the ongoing China-United States trade war and Hong Kong's society unrest, the Group experienced difficulty in maintaining profitability in its retail points. The Group does not consider the noticeable decrease in revenue in this sector as a temporary downturn, therefore made alterations to its existing strategic directions. The Group had began to diversify its product range and focus on everyday consumer items, as well as steering towards franchising operations.

In light of the above, the Group began engaging in the operations of convenience stores in the PRC. The convenience stores provide a wide range of everyday consumer products, and also offer a range of other services, such as: 5G Smart Services, breakfast and supper sets, courier services, simple home repairing services, etc. During the year, the Group continued to proceed with the expansion and transformation of its convenience stores in the PRC. The Group considers the growth potential of this operation to be high and intends to actively seek for expansion to attract a larger base of customers.

For the financial year ended 31 March 2020, the revenue generated from the retailing business was approximately HK\$16 million (2019: HK\$110 million).

Financial Services Business

The Group is engaged in the financial services to institutional and retail clients in Hong Kong and PRC. The Group possesses licenses for a various range of financial services in Hong Kong including money lending and other financial services. The Group will continue to invest further resources to enhance its overall customer service in expanding its customer basis in the future. For the financial year ended 31 March 2020, the revenue generated from financial services business was approximately HK\$12 million (2019: Nil).

e-Commerce and e-Payment Business

The Group is designated by UnionPay International Co., Ltd as its oversea UnionPay card acquiring institution and has granted the authorization to conduct offline acquiring business in Hong Kong, Italy, France, Korea and Japan, as well as the global online acquiring business. At present, the Group actively seeks the suitable merchant to install the point-of-sale terminals to develop the offline acquiring business.

FINANCIAL REVIEW

Financial Position

The Group financed its operations with internal funding, issuing the bonds and the standby revolving loan facilities by the independent third party. The Group adopted a prudent approach in managing its financial needs.

As at 31 March 2020, the Group had cash and cash equivalents amounting to HK\$5 million (2019: HK\$2 million), and no outstanding bank borrowings (2019: Nil). Current convertible bonds were approximately HK\$188 million. As at 31 March 2020, the current ratio stood at 0.3 times (2019: 0.7 times) and the gearing ratio stood at 142.4% (2019: 107.8%).

As at 31 March 2020, the Group had no banking facilities (2019: Nil) and no charge on its assets. The Group also had no bank loans and bank guarantees as at 31 March 2020 (2019: Nil).

During the Year, inventory turnover days decreased to approximately 73 days (2019: 258 days). As at 31 March 2020, there was no inventory (2019: HK\$3 million).

Capital Expenditure

During the Year, the Group's capital expenditure amounted to HK\$0.8 million (2019: HK\$0.6 million), comprising principally the purchase of leasehold improvements, computer equipment and computer software.

Foreign Exchange Management

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

Convertible Bonds

- (a) The Company issued the convertible bonds to subscriber in principal amount of HK\$30,000,000 on 5 July 2016 (“**First Bonds**”). The First Bonds may be converted into 16,574,585 new Shares at a conversion price of HK\$1.81 per share and the bonds bear coupon interest at the rate of 6% per annum and due 2020. The net proceeds from the First Bonds had been fully utilized. Pursuant to the terms of the First Bonds contain specific performance obligations imposed on Mr. ZHU Xiaojun (“**Mr. Zhu**”), an executive Director, the chairman of the Board and a controlling shareholder of the Company. Mr. Zhu is required (i) in his personal capacity or through any entity or company controlled by him, to hold at least 50% of the issued share capital of the Company; and (ii) to remain as an executive Director. Any non-compliance with the aforesaid specific performance obligation will constitute an event of default and upon the bondholder giving a notice to the Company, the bonds will immediately become due and payable in accordance with the terms and conditions of the First Bonds.
- (b) The Company also issued the convertible bonds to subscriber in principal amount of HK\$150,000,000 on 24 August 2016 (“**Second Bonds**”). The Second Bonds may be converted into 81,300,813 new Shares at a conversion price of HK\$1.845 per share and the bonds bear coupon interest at the rate of 10.5% per annum and due 2019. The net proceeds of the Second Bonds had been fully utilized. During the period, no Share was issued by the Company upon the subscriber exercise of their conversion rights of the bonds. The Company is currently in negotiation with the subscriber regarding a new repayment schedule.

Corporate Bond

On 8 May 2017, the Company issued the bonds to the investor in principal amount of HK\$350,000,000 at interest rate of 12% per annum for the first year and 13% per annum for the second year and due 2019 (“**Bonds**”). Pursuant to the terms of the Bonds, a specific performance obligation is imposed on Mr. Zhu, that during the term of the Bonds, Mr. Zhu, together with parties acting in concert with him, should own directly or indirectly more than 50% of the voting shares of the Company. Any breach of the aforesaid specific performance obligation may constitute a breach under the subscription agreement, pursuant to which the investor is entitled to redeem the Bonds immediately in accordance with the terms and conditions of the Bonds. The Company is currently in negotiation with the subscriber regarding a new repayment schedule.

Pledge of Assets

As at 31 March 2020, the Group had no pledge of assets. (2019: Nil).

Contingent Liabilities

As at 31 March 2020, the Group had no material contingent liabilities or off-balance sheet obligations (2019: Nil).

GROUP STRUCTURE

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

HUMAN RESOURCES

As at 31 March 2020, the Group had a total of 59 employees (2019: 261 employees) and the total staff cost for the Year was HK\$21 million (2019: HK\$87 million). The Group offers competitive remuneration packages to its employees, including mandatory retirement funds, medical coverage and purchase discounts. In addition, incentive share options and performance-based discretionary bonus on an annual basis may be granted to employees subject to the Group's and individual performance. The Group also provides trainings to its staff.

MAJOR AND CONNECTED TRANSACTION

On 17 June 2017, the Company entered into the preliminary agreement with the vendor, a company incorporated in Italy ("**Vendor**"), in relation to the Company will acquire the properties located at Milan, Italy from the Vendor ("**Properties**") for a purchase price of Euro 34,000,000 (equivalent to approximately HK\$297,160,000) ("**Acquisition**").

On 27 June 2019, the Vendor and the Company entered into a refund agreement, agreeing on a total amount of Euro 11,220,000 (including Euro 1,020,000 VAT) to be paid by the vendor to the Company. The vendor has refunded a total amount of Euro 1,300,000 to the Company for the year ended 31 March 2020, with an outstanding amount of Euro 9,920,000 (including Euro 1,020,000 VAT) as at 31 March 2020. As such, both parties mutually agreed to settle the refund on or before 31 March 2021, or such later date both parties may agree in writing.

The Vendor is beneficially owned as to 70% by Ms. CAI Jiaying, an executive Director, and hence the Vendor is a connected person of the Company. The Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. Details of the Acquisition are set out in the announcement of the Company dated 17 June 2017 and the circular dated 31 October 2017.

DISPOSALS OF SUBSIDIARY COMPANY

- (a) References are made to the announcements of Vestate Group Holdings Limited (the "**Company**") dated 6 July 2018, 2 January 2019, 2 July 2019, 1 November 2019, 2 March 2020, and 13 March 2020 and the circular of the Company dated 17 August 2018 (The "**Publications**") in relation to, among other things, the Disposal. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Publications.

On 2 July 2018, Genius Earn Investments Limited, a wholly owned subsidiary of the Group ("**Vendor**"), entered into the disposal agreement with the purchaser in relation to the disposal of 49% of the issued share capital of Ascent Pride Investment Limited ("**Target Company**"), a wholly owned subsidiary of the Group ("**Disposal Agreement**"), at the consideration of HK\$50,000,000 ("**Disposal**").

As the Disposal Agreement had been ongoing for around two years with outstanding condition yet to be fulfilled, the agreement unfortunately could not be completed. Therefore, the Disposal Agreement is considered to have lapsed on 30 June 2020.

- (b) On 24 May 2019, Genius Earn Investments Limited, a wholly-owned subsidiary of the Company (“**Vendor**”) and the purchaser entered into the disposal agreement, pursuant to which the Vendor will sell entire issued share capital of Artemis Footwear Limited and 50% of the entire issued share capital of Walker Shop Footwear Limited at the consideration of HK\$2,500,000 (“**Disposal**”). Upon its completion on 31 May 2019, Artemis Footwear has ceased to be a wholly owned subsidiary of the Company and the Group remains to have 50% interests in Walker Shop Footwear Limited. Details of the Disposal are set out in the announcement dated 24 May 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

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

- (i) COVID-19 adversely affecting the global economy;
- (ii) Increase in rental;
- (iii) Reliance on key management personnel;
- (iv) Changes in consumers’ demand or failure to respond or identify such changes in a timely manner;
- (v) Competition in both footwear and financial markets in Hong Kong; and
- (vi) Economic downturn in the PRC and Hong Kong.

FINAL DIVIDEND

The Board resolved not to declare a final dividend for the Year (2019: Nil).

CORPORATE GOVERNANCE

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

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

- to develop and review the Company’s policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

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

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 March 2020 (“**Year**”), except that according to code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Throughout the Year, Mr. ZHU Xiaojun (“**Mr. Zhu**”) is the Chairman of the Board and is responsible for providing leadership and ensuring effective running of the Board. The duties of the chief executive are undertaken and performed by the Chairman of the Board, thus Mr. Zhu also responsible for the Group’s day-to-day operations and implementation of the Group’s strategies and is assisted by a management team, comprising executive Directors, general managers and department heads of the Group, with authority and responsibility for developing and exercising both operational and non-operational duties. Despite a part of responsibility of chief executive is vested in Mr. Zhu, in which all major decisions are made in consultation with the other Board members and the senior management of the Company. The Board believes that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company. This was in deviation from A.2.1 of the CG Code.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

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

REVIEW BY THE AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

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

SCOPE OF WORK OF CCTH CPA LIMITED

The figures in respect of the Group’s consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by the Group’s auditor, CCTH CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by CCTH CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCTH CPA Limited on this announcement.

PUBLICATION OF THE ANNUAL REPORT

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

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been halted with effect from 9:00 a.m. on 16 July 2020 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 17 July 2020.

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

Hong Kong, 16 July 2020

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. ZHU Xiaojun
Mr. KANG Jianming
Ms. CAI Jiaying
Mr. YIN Wansun

Independent Non-executive Directors:

Ms. ZHAO Hong
Mr. CHAU Wai Hing
Mr. YU Lei