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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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The board of directors (the "**Board**") of Vestate Group Holdings Limited (the "**Company**") presents the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2017, together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the period ended 30 September 2017

	Note	Unaudited 2017 HK$'000	Unaudited 2016 HK$'000
Revenue	3	**173,117**	299,759
Cost of sales		**(93,964)**	(148,963)
Gross profit		**79,153**	150,796
Selling and distribution costs		**(126,843)**	(207,354)
Administrative expenses		**(71,000)**	(68,967)
Other losses, net	4	**(1,361)**	(1,706)
Other income	5	**1,865**	2,884
Operating loss		**(118,186)**	(124,347)
Finance income		**3,606**	21,944
Finance costs		**(27,904)**	(3,096)
Share of loss of associates		**(1,540)**	—

	Note	**Unaudited 2017 *HK$'000***	Unaudited 2016 *HK$'000*
Loss before income tax	*6*	**(144,024)**	(105,499)
Income tax expense	*7*	**—**	—
Loss for the period		**(144,024)**	(105,499)
Attributable to:			
Equity holders of the Company		**(143,400)**	(105,128)
Non-controlling interests		**(624)**	(371)
		(144,024)	(105,499)
Loss per share for loss attributable to the equity holders of the Company (expressed in HK cents per share)			
— basic	*8*	**(20.02)**	(16.37)
— diluted	*8*	**(20.02)**	(19.29)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2017

	Unaudited 2017 *HK$'000*	Unaudited 2016 *HK$'000*
Loss for the period	**(144,024)**	(105,499)
Other comprehensive income		
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Currency translation differences	**6,780**	(5,764)
Total items that have been reclassified or may be subsequently reclassified to profit or loss	**6,780**	(5,764)
Total comprehensive income for the period	**(137,244)**	(111,263)
Attributable to:		
Equity holders of the Company	**(136,509)**	(110,992)
Non-controlling interests	**(735)**	(271)
	(137,244)	(111,263)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Note	**Unaudited 30 September 2017** *HK$'000*	Audited 31 March 2017 *HK$'000*
ASSETS			
Non-current assets			
Investment in a joint venture		**510**	510
Interests in associates		**10,258**	7,227
Property, plant and equipment		**10,038**	113,534
Intangible assets		**230,794**	230,788
Long-term deposits and prepayments		**26,545**	27,354
		278,145	379,413
Current assets			
Inventories		**117,313**	132,594
Trade receivables	*10*	**34,574**	39,751
Deposits, prepayments and other receivables		**261,408**	32,014
Cash and cash equivalents		**41,001**	32,839
		454,296	237,198
Assets held for sale		**118,730**	14,730
		573,026	251,928
Total assets		**851,171**	631,341
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**71,619**	71,619
Share premium		**673,503**	673,503
Reserves		**(657,403)**	(529,037)
		87,719	216,085
Non-controlling interests		**(494)**	241
Total equity		**87,225**	216,326

	Note	Unaudited 30 September 2017 HK$'000	Audited 31 March 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible bonds		**135,425**	134,199
Obligation under finance lease		**177**	225
Non-convertible bond		**350,000**	—
Deferred income tax liabilities		**36,739**	36,739
		522,341	171,163
Current liabilities			
Trade payables	*11*	**75,073**	79,576
Accruals and other payables		**74,996**	73,408
Borrowings		**72,877**	72,240
Obligation under finance lease		**96**	105
Tax payable		**1,013**	973
Convertible bonds		**17,550**	17,550
		241,605	243,852
Total liabilities		**763,946**	415,015
Total equity and liabilities		**851,171**	631,341

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2017 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated interim financial statements do not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

1.1 Going concern basis

During the period ended 30 September 2017, the Group reported a net loss of HK$144,024,000 (2016: HK$105,499,000) and had a net cash outflow from operating activities of HK$125,350,000 (2016: HK$83,037,000). As at 30 September 2017, the Group's cash and cash equivalents amounted to HK$41,001,000. On 17 June 2017, the Group entered into a sales and purchase agreement with China Investment S.p.A. (the "**Milan Properties Vendor**"), a company with 70% interest owned by Ms. CAI Jiaying, an executive Director of the Company, to acquire certain properties in Milan at a total cash consideration of Euro34,000,000 (equivalent to approximately HK$299,640,000) (the "**Milan Properties**"). The construction of the Milan Properties commenced in June 2017 and the construction is expected to be completed in June 2019. The first refundable advance payment of Euro10,200,000 (equivalent to approximately HK$89,892,000) was paid by the Group in June 2017 and the remaining consideration will be payable by stages according to the progress of construction of the properties.

All the above events and conditions indicate the existence of an uncertainty which may cast doubt about the ability of the Group to continue as a going concern.

In view of these circumstances, the directors of the Company ("**Directors**") have given careful consideration to the future liquidity, the construction progress of the Milan Properties and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The Directors have reviewed the Group's cash flow projections prepared by management covering a period of twelve months from 30 September 2017. In order to improve the Group's financial position and alleviate the liquidity pressure, the Directors have been implementing various measures as follows:

a. As at 30 September 2017, the Group had unutilised banking facilities of approximately HK$31,754,000. The Group has communicated continuously with the principal banks on the Group's performance to ensure the existing banking facilities, which are fully secured by the Group's properties, to be continuously available to the Group. Such banking facilities is being renewed and the Directors are of the opinion that it will continue to be available to the Group for the next twelve months from 30 September 2017.

b. On 5 May 2017, the Group issued a two-year bond with principal amount of HK$350,000,000 at interest rate of 12% per annum for the first year and 13% per annum for the second year. The bond is guaranteed by Mr. ZHU Xiaojun, Chairman of the Group and is pledged by the shares of the Milan Properties Vendor. The proceeds from the issuance of the bond were received by the Group in May 2017.

c. On 27 June 2017, an independent third party granted a stand-by revolving loan facilities of up to RMB100,000,000 to the Group, which is available to drawn down on or before 27 June 2018. The loan facility is guaranteed by Mr. ZHU Xiaojun, the Chairman of the Group, and bears interest at 18% per annum. The Directors believe that this loan facility is available for draw down as additional working capital of the Group, as and when needed. The Directors are of the opinion that this facility will be renewed upon expiry on 27 June 2018.

d. Since 2016, the Group has been implementing various measures, such as optimizing its overall sales network by relocating certain of its outlets, and further developing e-Commerce business to improve its profit margin and operating cashflows of its footwear retailing business.

e. In relation to the purchase of the Milan Properties, the Directors have considered a construction plan provided by the Milan Properties Vendor and considered that other than the refundable advance payment of Euro10,200,000 (equivalent to approximately HK$89,892,000), there is no further payment due and payable within the next twelve months from 30 September 2017.

f. The Group has granted 1-year unsecured term loans to several third parties totalling HK$92,037,000 up to the date of approval of the unaudited condensed consolidated financial statements. The Group is closely monitoring the collection of these loans and the Directors are confident that these loans will be successfully collected upon maturity according to the terms of the relevant loan agreements. The Group will consider the liquidity position of the Group, the credit profile of the borrowers, the availability of securities and the loan terms carefully before granting any further loans.

g. 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 30 September 2017. Accordingly, the unaudited condensed consolidated financial statements have been prepared on a going concern basis.

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

(i) Successful negotiation with the bank to renew the Group's banking facilities upon its expiry such that the existing bank borrowings will continue to be available to the Group and the unutilised overdraft facilities will be available for draw down from time to time as and when needed;

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

(iii) The independent third party will be able to provide the funding advance of up to RMB100,000,000 to the Group as and when needed, and successful negotiation with the independent third party to renew this facility upon its expiry on 27 June 2018, such that the fund will be repayable beyond twelve months from 30 September 2017;

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

(v) The construction of the properties under development in Milan will be progressed according to the construction plan provided by the Milan Properties Vendor; and

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

2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those annual financial statements.

Taxes on income in the periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

3 Segment information

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

The chief operating decision-maker has been identified as the executive Directors. The executive Directors review the Group's financial information to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive Directors assess the performance of the operating segments based on a measure of segment loss without allocation of administrative expenses, other losses, other income and finance (costs)/income, which is consistent with that in the annual financial statements. In February 2017, the Group acquired e-Commerce and e-Payment business. The business just commenced in the beginning stage and its contribution to the Group is insignificant. In current period, the executive Directors continue to identify the business segment based on geographic basis.

Segment assets exclude loan receivables in respect of the Group's money lending business and advance payment in relation to the purchase of the Milan Properties.

Segment liabilities exclude tax payable, deferred income tax liabilities, convertible bonds, non-convertible bond and obligation under finance lease.

The segment results are as follows:

	Unaudited Six months ended 30 September 2017						
	Retailing of footwear						
	Hong Kong *HK$'000*	The PRC *HK$'000*	Taiwan *HK$'000*	Subtotal *HK$'000*	e-Commerce and e-Payment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Revenue from sales of footwear, fashion wears and accessories	**45,050**	**124,778**	**3,289**	**173,117**	**—**	**—**	**173,117**
Segment loss	**(13,442)**	**(33,618)**	**(630)**	**(47,690)**	**—**	**(70,496)**	**(118,186)**
Finance income							**3,606**
Finance costs							**(27,904)**
Share of loss of associates							**(1,540)**
Income tax expense							**—**
Loss for the period							**(144,024)**
Other segment items are as follows:							
Capital expenditure	**361**	**3,594**	**1**	**3,956**	**—**	**—**	**3,956**
Depreciation of property, plant and equipment	**932**	**2,297**	**8**	**3,237**	**70**	**—**	**3,307**
Amortisation of intangible assets	**67**	**279**	**—**	**346**	**—**	**—**	**346**
Impairment of property, plant and equipment	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net provision for inventories	**693**	**1,940**	**345**	**2,978**	**—**	**—**	**2,978**

	Unaudited						
	Six months ended 30 September 2016						
	Retailing of footwear						
	Hong Kong	The PRC	Taiwan	Subtotal	e-Commerce and e-Payment	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from sales of footwear, fashion wears and accessories	64,469	231,551	3,739	299,759	—	—	299,759
Segment loss	(23,133)	(33,109)	(316)	(56,558)	—	(67,789)	(124,347)
Finance income							21,944
Finance costs							(3,096)
Income tax expense							—
Loss for the period							(105,499)
Other segment items are as follows:							
Capital expenditure	946	2,499	46	3,491	—	—	3,491
Depreciation of property, plant and equipment	1,694	3,931	49	5,674	—	—	5,674
Amortisation of intangible assets	56	399	—	455	—	—	455
Impairment of property, plant and equipment	653	238	—	891	—	—	891
(Write-back of provision)/net provision for inventories	(2,041)	7,383	194	5,536	—	—	5,536

An analysis of the Group's assets and liabilities is set out below:

Unaudited
As at 30 September 2017

	Retailing of footwear					
	Hong Kong	**The PRC**	**Taiwan**	**Subtotal**	**e-Commerce and e-Payment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**172,530**	**167,993**	**5,096**	**345,619**	**286,175**	**631,794**
Unallocated assets						**219,377**
Total assets						**851,171**
Segment liabilities	**118,219**	**80,880**	**7,371**	**206,470**	**16,476**	**222,946**
Unallocated liabilities						**541,000**
Total liabilities						**763,946**

Audited
As at 31 March 2017

	Retailing of footwear					
	Hong Kong	The PRC	Taiwan	Subtotal	e-Commerce and e-Payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	169,706	195,202	6,027	370,935	260,406	631,341
Total assets						631,341
Segment liabilities	126,854	90,207	7,091	224,152	1,072	225,224
Unallocated liabilities						189,791
Total liabilities						415,015

4 Other losses, net

	Unaudited 2017 HK$'000	Unaudited 2016 HK$'000
Loss on disposals of property, plant and equipment	**—**	(1,243)
Net foreign exchange losses	**(1,361)**	(463)
	(1,361)	(1,706)

5 Other income

	Unaudited 2017 HK$'000	Unaudited 2016 HK$'000
Government subsidies	**—**	1,913
Licence fee income	**220**	204
Others	**1,645**	767
	1,865	2,884

6 Loss before income tax

	Unaudited 2017 HK$'000	Unaudited 2016 HK$'000
Loss before income tax is arrived at after charging:		
Purchase of and changes in inventories	**90,986**	143,427
Operating lease rental in respect of leasehold land and buildings		
— minimum leases payments	**15,902**	29,816
— turnover rental expenses	**45,850**	79,920
Staff cost and employee benefit expenses	**71,646**	108,171

7 Income tax expense

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No current period tax provision has been provided as the Group had no assessable profit for both periods.

8 Loss per share

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

	Unaudited 2017	Unaudited 2016
Loss for the period attributable to the equity holder of the Company *(HK$'000)*	**(143,400)**	(105,128)
Weighted average number of ordinary shares in issue *(thousands)*	**716,190**	642,178
Basic loss per share *(HK cents per share)*	**(20.02)**	(16.37)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has dilutive potential ordinary shares: convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate fair value gain and the interest expense less the tax effect.

	Unaudited 2017	Unaudited 2016
Loss for the period attributable to the equity holder of the Company *(HK$'000)*	**(143,400)**	(105,128)
Adjustment for:		
— Amortised unrealised fair value loss of issuance of convertible bonds *(HK$'000)*	—	1,586
— Subsequent fair value gain on convertible bonds *(HK$'000)*	—	(21,902)
Adjusted loss for the period attributable to the equity holder of the Company *(HK$'000)*	**(143,400)**	(125,444)
Weighted average number of ordinary shares in issue *(thousands)*	**716,190**	642,178
Adjustment for:		
— Assumed conversion of convertible debts *(thousands)*	—	8,241
Diluted weighted average number of shares for the purposes of calculating diluted loss per share *(thousands)*	**716,190**	650,419
Diluted loss per share *(HK cents per share)*	**(20.02)**	(19.29)

During the period ended 30 September 2017, since diluted loss per share is increased when taking into account the convertible bond, the convertible bond is anti-dilutive and is ignored in the calculation of diluted loss per share.

9. Dividend

The Board has resolved not to declare interim dividend for the period (30 September 2016: Nil).

10 Trade receivables

Ageing analysis of third party trade receivables by invoice date is as follows:

	Unaudited 30 September 2017 *HK$'000*	Audited 31 March 2017 *HK$'000*
0 — 30 days	**20,380**	25,926
31 — 60 days	**4,426**	6,558
61 — 90 days	**2,766**	2,069
Over 90 days	**7,231**	5,710
	34,803	40,263
Less: provision for impairment of trade receivables	**(229)**	(512)
	34,574	39,751

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 3 months from the date of sales.

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

11 Trade payables

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

	Unaudited 30 September 2017 *HK$'000*	Audited 31 March 2017 *HK$'000*
0 — 30 days	**44,237**	26,351
31 — 60 days	**7,759**	17,127
61 — 90 days	**12,701**	2,525
Over 90 days	**10,376**	33,573
	75,073	79,576

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

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

As at 30 September 2017, the Group operated a total of 30 Self-managed Shops (5 in the PRC and 25 in Hong Kong), 316 Concession Points (305 in the PRC, 2 in Hong Kong and 9 in Taiwan) and 27 Franchised Stores in the PRC. During the six months ended 30 September 2017 ("**Period**"), the Group had a net decrease of 8 Self-managed Shops, 52 Concession Points and 33 Franchised Stores. The following table summarizes the number and distribution of Self-managed Shops, Concession Points and Franchised Stores (Collectively, "**Retail Points**") in terms of geographical regions as at 30 September 2017 and 31 March 2017.

	As at 30 September 2017				As at 31 March 2017			
	Self-managed Shops	**Concession Points**	**Franchised Stores**	**Total**	Self-managed Shops	Concession Points	Franchised Stores	Total
The PRC								
Beijing	**4**	**71**	**1**	**76**	5	83	3	91
Eastern China	**—**	**62**	**2**	**64**	—	74	2	76
Southern China	**1**	**35**	**—**	**36**	1	44	—	45
Western China	**—**	**39**	**—**	**39**	—	51	6	57
Central China	**—**	**54**	**12**	**66**	—	59	25	84
Northern China	**—**	**44**	**12**	**56**	—	47	24	71
Sub-total	**5**	**305**	**27**	**337**	6	358	60	424
Hong Kong	**25**	**2**	**—**	**27**	32	1	—	33
Taiwan	**—**	**9**	**—**	**9**	—	9	—	9
Total	**30**	**316**	**27**	**373**	38	368	60	466

Following the acquisition of the entire issued share capital of the China Consume Financial Holdings Company Limited in February 2017, the Group is engaged in e-Commerce and e-Payment business.

The Group obtained two licences on 21 July 2017 and 7 July 2017 by the Securities and Futures Commission in Hong Kong to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities respectively. Also, the Group was granted the licence by the Licensing Court in Hong Kong on 29 November 2016 engaged in the money lending business. Throughout the six months ended 30 September 2017, the Group commenced its financial business in Hong Kong offering the diversified financial services include money lending and securities brokerage services to institutional and retail clients and providing asset management services for individual clients. In order to expand the source of customer, the Group intends to invest more resources in recruit high-calibre employees and strengthen the electronic trading platform to enhance the speed and stability in processing customer orders. The Group's believe that which will become the new growth engine of the Group.

Financial Review

For the six months ended 30 September 2017, the Group recorded a decrease of 42.2% in its consolidated revenue to approximately HK$173 million (30 September 2016: HK$300 million), which comprised mainly retailing of footwear. Loss attributable to the equity holders was approximately HK$143 million for the six months ended 30 September 2017 (30 September 2016: HK$105 million). Loss per share amounted to approximately 20.02 HK cents per share. A summary of the revenue by region from retailing business of the Group is set out below:

Retailing Business

Total revenue by region

	Six months ended 30 September 2017 *(HK$'000)*	**% to total**	Six months ended 30 September 2016 *(HK$'000)*	% to Total	% decrease
Total revenue by region:					
The PRC	**124,778**	**72.1%**	231,551	77.3%	46.1%
Hong Kong	**45,050**	**26.0%**	64,469	21.5%	30.1%
Taiwan	**3,289**	**1.9%**	3,739	1.2%	12.0%
Total	**173,117**	**100.0%**	299,759	100.0%	42.2%

For the six months ended 30 September 2017, the revenue generated from retailing business was approximately HK$173 million (30 September 2016: HK$300 million), representing a decrease of 42.2% as compared to last corresponding period. The revenue from the PRC, Hong Kong and Taiwan markets decreased by 46.1%, 30.1% and 12.0% respectively, and these three geographical segments accounted for 72.1%, 26.0% and 1.9% of its total revenue respectively (30 September 2016: 77.3%, 21.5% and 1.2%).

The PRC

During the Period under review, the revenue generated from the PRC was approximately HK$125 million (30 September 2016: HK$232 million), representing a decrease of 46.1% as compared to last corresponding period. The operation in the PRC incurred a loss of HK$34 million, an increase of 1.5% as compared to last corresponding period. The decrease in revenue was mainly driven by a reduction in sales volume and decrease in number of shops during the Period.

Hong Kong

During the Period under review, the revenue generated from Hong Kong was approximately HK$45 million (30 September 2016: HK$64 million), representing a decrease of 30.1% as compared to last corresponding period. The operating loss in Hong Kong was approximately HK$13 million, a decrease of 41.9% as compared to last corresponding period.

Taiwan

During the Period under review, the revenue generated from Taiwan was approximately HK$3 million (30 September 2016: HK$4 million), representing a decrease of 12.0% as compared to last corresponding period. The operating loss in Taiwan was approximately HK$1 million, an increase of 99.4% as compared to the last corresponding period.

Money Lending Business

In order to broaden the Group's income source, the Group commenced its money lending business under the Money Lenders Licence granted by the Licensing Court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The money lending business will become one of the sources to enhance the Group's income.

Securities Brokerage Business

The Group commenced the securities brokerage business in Hong Kong on 23 August 2017. In view of its expected revenue growth with promising market outlook, the Group intends to deploy more resources in securities brokerage and asset management services. The Company also positions these as one of the core businesses of the Group in the long run.

Financial Position

The Group maintained a stable financial position throughout the six months ended 30 September 2017. It financed its operations with internal funds, issuing the bonds and bank borrowings and adopted a prudent approach in managing its financial needs.

As at 30 September 2017, the Group had cash and cash equivalents amounting to approximately HK$41 million (31 March 2017: HK$33 million) and outstanding bank borrowings bearing a fixed interest rate of HK$5 million (31 March 2017: HK$5 million) and a floating interest rate of HK$68 million (31 March 2017: HK$67 million) with a maturity of less than one year. The bank loans were denominated in Hong Kong dollars and New Taiwan dollars. Current and non-current convertible bonds were approximately HK$18 million and HK$135 million respectively. As at 30 September 2017, the current ratio stood at 2.4 times (31 March 2017: 1.0 times) and the gearing ratio stood at 67.7% (31 March 2017: 35.5%).

As at 30 September 2017, the Group had aggregate banking facilities of approximately HK$112 million for overdrafts, bank loans for trade financing and bank guarantees for rental deposit (31 March 2017: HK$112 million), of which HK$80 million was used for trade financing and bank guarantees for rental deposit as at 30 September 2017 (31 March 2017: HK$79 million). As at 30 September 2017, the Group had a charge on its assets to secure its banking facilities.

During the Period under review, inventory turnover days decreased to approximately 243 days (30 September 2016: 266 days). As at 30 September 2017, inventory amounted to approximately HK$117 million (31 March 2017: HK$133 million).

Capital Expenditure

During the Period under review, the Group's capital expenditure amounted to HK$4 million (30 September 2016: HK$3 million), comprising principally the purchase of leasehold improvements, computer equipment and computer software.

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

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 Period under review.

Convertible Bonds

In order to enhance its working capital, the Company issued two convertible bonds to subscribers in principal amount of HK$30 million on 5 July 2016 ("**First Bonds**") and HK$150 million on 24 August 2016 ("**Second Bonds**") respectively. The First Bonds may be converted into 16,574,585 Shares based on the initial 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 Second Bonds may be converted into 81,300,813 Shares based on the initial 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. Throughout the six months ended 30 September 2017, no Share was issued by the Company.

Non-convertible Bond

The Company entered into a subscription agreement with an investor on 5 May 2017 in relation to the bonds issue by the Company to the investor for subscribing in principal amount of HK$350 million at interest rate of 12% per annum for the first year and 13% per annum for the second year and due 2019.

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 for a purchase price of Euro 34 million (equivalent to approximately HK$300 million) ("**Acquisition**"). The Vendor is beneficially owned as to 70% by Ms. CAI Jiaying, an executive Director, and hence the Vendor is a connected person of the Company. The Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 25% but less than 100%, the Acquisition also constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 of the Listing Rules. Details of the Acquisition are set out in the announcement of the Company dated 17 June 2017 and the circular dated 31 October 2017. An ordinary resolution was passed by shareholders at the extraordinary general meeting on 27 November 2017.

Pledge of Assets

As at 30 September 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 (31 March 2017: HK$119 million).

Contingent Liabilities

As at 30 September 2017, the Group had no material contingent liabilities or off-balance sheet obligations (31 March 2017: Nil).

Group Structure

There was no material change in the corporate structure of the Group since the publication of the 2016/2017 annual report.

Human Resources

As at 30 September 2017, the Group had a total of 1,380 employees (31 March 2017: 1,622 employees) and the total staff cost for the Period was approximately HK$72 million (30 September 2016: HK$108 million), representing 41.4% of the Group's total revenue. The Group offers competitive remuneration packages to its employees, including mandatory retirement funds, insurance, medical coverage and purchase discounts. In addition, incentive share options and performance-based discretionary bonus on an annual basis may be granted to employees subject to the Group's and individual performance. The Group also provides regular trainings and workshops to its frontline and back office staff on sales techniques, product knowledge and team building.

Important Event After the Reporting Period

On 29 October 2017, Mr. ZHU Xiaojun ("**Mr. Zhu**"), an executive Director and chairman of the Board and is interested in 513,300,002 shares of the Company, representing approximately 71.67% of the entire issued share capital of the Company had entered into the non-legally binding memorandum of understanding with an independent third party ("**Potential Purchaser**"), regarding the possible sale of the Company's shares which may be sold by Mr. Zhu to the Potential Purchaser. No formal sale and purchase agreement for the possible sale has been entered into at the date of this report.

Save as disclosed above, there is no important event affecting the Company and its subsidiaries which has occurred after the reporting period.

Outlook

In the wake of the commencement of Brexit negotiations, the dust having settled regarding the elections and referendums of European countries, and factors that used to distress European economy being ironed out, the success or failure of Donald Trump's tax reform policy in conjunction with the trends of global major central banks' monetary policies and interest rates, nevertheless, are bound to surge as the leading factors that affect the future growth of global economy, making the financial market prospect remain overcast by a wide swath of challenges in 2018.

With respect to Hong Kong, reaping the benefits of 'the nation's "13th Five-Year" Plan and "One Belt, One Road" Initiative being carried out further, strengthened connection and communication between both financial markets, and the ongoing expansion of offshore Renminbi business, the Group, notwithstanding the uncertainties revolving the prospect of the retail industry, is highly optimistic about the development of the finance sector in Hong Kong. It has seized the opportunity to kick start its finance business in Hong Kong during the period, aspiring to create new streams of income for the Group.

During the period, the Group was granted Type 1 (dealing in securities) and Type 9 (asset management) license issued by the Securities and Futures Commission. In addition, the Group commenced its securities trading business in August 2017, which provides securities brokerage services for individual and corporate clients, and sets out to go the extra mile to attract new clients in the future. Meanwhile, the Group would continue to recruit talent, striving to offer better services to our clients. Besides, the Group plans to allocate resources to optimizing online trading platforms and mobile trading platforms such that more hassle-free and speedy securities trading channels may be offered to our clients.

In tandem with rises in income levels among Mainlanders and the evolution of consumer mindset, consumers' escalating pursuit of quality shows no sign of abating. The Group has always concerned itself with, among other things, the quality of products whereas our product development team is committed to providing customers with footwear products with fashionable designs, great comfort, and superb functionality to suit customer needs. In response to the rapid growth of online retail market in the PRC and to strengthen our competitive edges in e-Commerce business, our product development team has developed a variety of trendy and exclusive footwear products which are only available on online shops.

The Group has been in close collaboration with suppliers, endeavoring to uphold product quality in conjunction with cost control. The Group would continue to consolidate the distribution of sale networks throughout the PRC with shops focusing on first-tier cities, thereby enhancing management efficiency and attaining effective use of resources. The Group would continue to take a prudent approach in the use of resources and control the expansion of shops and inventories discreetly. The Group expects that the cost control measures in place would effectively mitigate the impact of soaring rents, salary, and other operating expenses. Meanwhile, the Group would take preemptive initiatives to set up outlets to reduce inventories.

Interim Dividend

The Board resolved not to declare an interim dividend for the six months ended 30 September 2017 (30 September 2016: Nil).

Corporate Governance

Save as disclosed herein, the Company has complied with all the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" ("**CG Code**") contained in Appendix 14 to Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") throughout the six months ended 30 September 2017.

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

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

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**") as its code of conduct of Directors' securities transactions. Having made specific enquiries with all Directors, they confirmed that they complied with the Model Code throughout the six months ended 30 September 2017.

Review of Interim Financial Information by Audit Committee

The Audit Committee has reviewed the results of the Group for the six months ended 30 September 2017 with the management and is of the view that such results complied with the applicable accounting standards, the requirements under the Main Board Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

Purchase, Sales or Redemption of the Company's Listed Securities

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 30 November 2017

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

Executive Directors:
Mr. ZHU Xiaojun
Mr. KANG Jianming
Ms. CAI Jiaying
Mr. YIN Wansun

Independent Non-executive Directors:
Ms. ZHAO Hong
Mr. CHAU Wai Hing
Mr. LEUNG Man Ho