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 2018

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 2018, together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the period ended 30 September 2018

	Note	**Unaudited 2018 *HK$'000***	(Restated) Unaudited 2017 *HK$'000*
Continuing operations			
Revenue	*3*	**70,666**	173,117
Cost of sales		**(50,903)**	(93,964)
Gross profit		**19,763**	79,153
Selling and distribution costs		**(72,321)**	(126,843)
Administrative expenses		**(41,233)**	(69,811)
Other losses, net	*4*	**(195)**	(1,361)
Other income	*5*	**681**	1,813
Operating loss		**(93,305)**	(117,049)
Finance income		**6,277**	3,606
Finance costs		**(38,053)**	(27,904)
Finance costs, net		**(31,776)**	(24,298)
Share of loss of associates		**(826)**	(1,307)

	Note	Unaudited 2018 HK$'000	(Restated) Unaudited 2017 HK$'000
Continuing operations			
Loss before income tax	*6*	**(125,907)**	(142,654)
Income tax expense	*7*	**—**	—
Loss for the period from continuing operations		**(125,907)**	(142,654)
Discontinued operations			
Loss for the period from discontinued operations		**(903)**	(1,370)
Loss for the period		**(126,810)**	(144,024)
Attributable to:			
Equity holders of the Company			
From continuing operations		**(125,361)**	(142,065)
From discontinued operations		**(868)**	(1,335)
Loss for the period attributable to equity holders of the Company		**(126,229)**	(143,400)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2018

	Note	**Unaudited 2018 *HK$'000***	(Restated) Unaudited 2017 *HK$'000*
Non-controlling interests			
From continuing operations		**(546)**	(589)
From discontinued operations		**(35)**	(35)
Loss for the period attributable to non-controlling interests		**(581)**	(624)
Loss for the period attributable to:			
Equity holders of the Company		**(126,229)**	(143,400)
Non-controlling interests		**(581)**	(624)
		(126,810)	(144,024)
Loss per share for loss from continuing and discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)			
— Basic	*8*	**(17.63)**	(20.02)
— Diluted	*8*	**(17.63)**	(20.02)
Loss per share for loss from continuing operations attributable to equity holders of the Company (expressed in HK cents per share)			
— Basic	*8*	**(17.51)**	(19.84)
— Diluted	*8*	**(17.51)**	(19.84)
Loss per share for loss from discontinued operations attributable to equity holders of the Company (expressed in HK cents per share)			
— Basic	*8*	**(0.12)**	(0.18)
— Diluted	*8*	**(0.12)**	(0.18)

	Unaudited 2018 HK$'000	(Restated) Unaudited 2017 HK$'000
Loss for the period	**(126,810)**	(144,024)
Other comprehensive income		
Items that have been reclassified or may be subsequently reclassified to profit or loss:		
Currency translation differences	**(7,164)**	6,780
Total items that have been reclassified or may be subsequently reclassified to profit or loss	**(7,164)**	6,780
Total comprehensive income for the period	**(133,974)**	(137,244)
Attributable to:		
Equity holders of the Company		
From continuing operations	**(132,807)**	(135,219)
From discontinued operations	**(917)**	(1,290)
Total comprehensive income for the period attributable to equity holders of the Company	**(133,724)**	(136,509)
Non-controlling interests		
From continuing operations	**(207)**	(707)
From discontinued operations	**(43)**	(28)
Total comprehensive income for the period attributable to non-controlling interests	**(250)**	(735)
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**(133,724)**	(136,509)
Non-controlling interests	**(250)**	(735)
	(133,974)	(137,244)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Note	**Unaudited 30 September 2018** *HK$'000*	Audited 31 March 2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**4,688**	7,958
Intangible assets		**673**	804
Investment in a joint venture		**510**	510
Investments in associate		**11,813**	6,530
Financial asset at fair value through other comprehensive income		**—**	6,248
Long-term deposits and prepayments		**2,274**	11,363
		19,958	33,413
Current assets			
Inventories		**43,602**	97,010
Trade receivables	*10*	**17,413**	38,323
Deposits, prepayments and other receivables		**141,867**	136,014
Loan receivables		**131,110**	130,873
Amount due from an associate		**4,033**	3,662
Cash and cash equivalents		**9,280**	53,514
		347,305	459,396
Non-current assets classified as held for sale		**249,114**	241,830
		596,419	701,226
Total assets		**616,377**	734,639
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**71,619**	71,619
Share premium		**673,503**	673,503
Other reserve		**115,703**	120,451
Accumulated losses		**(953,832)**	(827,603)
		(93,007)	37,970
Non-controlling interests		**(1,017)**	(767)
Total (deficit)/equity		**(94,024)**	37,203

	Note	Unaudited 30 September 2018 HK$'000	Audited 31 March 2018 HK$'000
LIABILITIES			
Current liabilities			
Trade payables	*11*	**68,137**	102,737
Accruals and other payables		**49,772**	36,577
Borrowings		**—**	5,130
Obligation under finance lease		**97**	97
Convertible bonds		**132,600**	17,550
Corporate bond		**372,400**	—
Current tax liabilities		**981**	1,077
		623,987	163,168
Liabilities directly associated with non-current assets classified as assets held for sale		**59,666**	52,408
		683,653	215,576
Non-current liabilities			
Obligation under finance lease		**80**	129
Convertible bonds		**26,668**	137,053
Corporate bond		**—**	344,678
		26,748	481,860
Net current (liabilities)/assets		**(87,234)**	485,650
Total liabilities		**710,401**	697,436
Total equity and liabilities		**616,377**	734,639

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 2018 has been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**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 have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2018. This is the first set of the Group's financial statements in which Hong Kong Financial Reporting Standard ("**HKFRS**") 9 and HKFRS 15 have been adopted. Details of any changes in accounting policies are set out in note 2.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with the HKFRSs and should be read in conjunction with the 2018 consolidated financial statements.

1.1 Going concern basis

During the period ended 30 September 2018, the Group reported a net loss of HK$126,810,000, a net current liabilities of HK$87,234,000 and had a net cash outflow from operating activities of HK$46,565,000. As at 30 September 2018, the Group's cash and cash equivalents amounted to HK$9,280,000. On 8 May 2017, the Group issued a two-year bond with principal amount of HK$350,000,000 at interest rate of 12% per annum for the first year and 13% per annum for the second year. The bond is guaranteed by Mr. ZHU Xiaojun, Chairman of the Company, and is pledged by the shares of China Investment S.p.A., a company with 70% interest owned by Ms. CAI Jiaying, the Director of the Company ("**Milan Properties Vendor**"). The Group is required to redeem the bond at its principal amount of HK$350,000,000 in May 2019. Also, the Group had a convertible bonds with principal amount of HK$150,000,000 will be due in August 2019.

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

In view of these circumstances, the directors of the Company ("**Directors**") have given careful consideration to the future liquidity of the Group, and its available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The Directors have reviewed the Group's cash flow projections prepared by management covering a period of twelve months from 30 September 2018. In order to improve the Group's financial position and alleviate the liquidity pressure, the Directors have been implementing various measures as follows:

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

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

c. In relation to the purchase of the Milan Properties, which is detailed in the announcement of the Company dated 17 June 2017, the Directors have considered to withdraw the refundable advance payment from the Milan Properties Vendor to solve the liquidity problem of the Group if necessary.

d. The corporate bond at its principal amount of HK$350,000,000 will redeem in May 2019. The Group is negotiating with the bond holder to extend its investment period.

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

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

The Directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 30 September 2018. Accordingly, the unaudited condensed consolidated financial statements have been prepared on a going concern basis.

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

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

(ii) Successful negotiation with the provider to renew the Group's standby evolving loan facilities of up to RMB200,000,000 upon its expiry on 30 June 2019 such that the existing facilities will continue to be available to the Group;

(iii) Successful negotiation with the bond holder with principal amount of HK$350,000,000 for continuous investment in our Group;

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

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

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

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

2 Changes in HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 9, Financial Instruments
- HKFRS 15, Revenue from Contracts with Customers
- HK(IFRIC)-Interpretation 22, Foreign Currency Transactions and Advance Considerations
- Amendments to HKFRS 2, Classification and Measurement of Share-based Payment Transactions
- Amendments to HKAS 28 included in Annual Improvements to HKFRSs 2014-2016 Cycle, Investments in Associates and Joint Ventures
- Amendments to HKFRS 1 included in Annual Improvements to HKFRSs 2014-2016 Cycle, First-time Adoption of Hong Kong Financial Reporting Standards

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2018 did not have any material impact on the Group's accounting policies.

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 April 2018 under HKAS 39** *HK$*	**Carrying amount as at 1 April 2018 under HKFRS 9** *HK$*
Financial asset at fair value through other comprehensive income	Available-for-sale (at fair value)	FVOCI	6,248	6,248
Long-term deposits	Loans and receivables	Amortised cost	4,052	4,052
Trade receivables	Loans and receivables	Amortised cost	38,323	38,323
Deposits and other receivables	Loans and receivables	Amortised cost	118,903	118,903
Loan receivables	Loans and receivables	Amortised cost	130,873	130,873
Amount due from an associate	Loans and receivables	Amortised cost	3,662	3,662
Cash and cash equivalents	Loans and receivables	Amortised cost	53,514	53,514

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "**incurred loss model**" to the "**expected credit losses ("ECLs") model**". The Group applies simplified approach to recognise lifetime expected losses for all trade receivables. The credit losses calculated pursuant to the new requirements are not significantly different from the amount recognised under the current practices. Therefore, the Group considered no adjustment is necessary.

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses at the date of initial application (that is, 1 April 2018). As a result, the financial information presented for 2017 has not been restated.

HKFRS 15 introduces a 5-step model when recognising revenue:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognise revenue when each performance obligation is satisfied

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. Based on the assessment of the Group, the adoption of HKFRS 15 from 1 April 2018 has results in changes in accounting policies of the Group, however, it does not have significant impact on the timing and amounts of revenue recognition of the Group, and no adjustment to the opening balance of equity at 1 April 2018 have been made.

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

- Retailing of footwear

- e-Commerce and e-Payment

The Executive Directors assess the performance of the operating segments based on a measure of segment loss without allocation of administrative expenses, other gains, other income and finance income/(costs), which is consistent with that in the financial statements. During the year ended 31 March 2018, the Directors consider to dispose the e-Commerce and e-Payment business. During August 2017 and June 2018, MOUs were signed for the potential disposal, which led to discontinue the operation of e-Commerce and e-Payment business. In accordance of HKFRS 5, e-Commerce and e-Payment business for the six months ended 30 September 2018 and 2017 were classified as discontinued operation in the Group's consolidated financial statements.

Segment assets mainly exclude loan receivables and refundable advance payment in relation to the purchase of the Milan Properties.

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

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

The segment results are as follows:

	Unaudited Six months ended 30 September 2018						
	Continuing operations					Discontinued operations	
	Retailing of footwear						
	Hong Kong	**The PRC**	**Taiwan**	**Subtotal**	**Unallocated**	**e-Commerce and e-Payment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**29,042**	**38,733**	**2,891**	**70,666**	**—**	**—**	**70,666**
Segment loss	**(8,286)**	**(43,961)**	**(311)**	**(52,558)**	**(40,747)**	**(903)**	**(94,208)**
Finance income							**6,277**
Finance costs							**(38,053)**
Share of loss of associates							**(826)**
Income tax expense							**—**
Loss for the period							**(126,810)**
Other segment items are as follows:							
Capital expenditure	**—**	**199**	**—**	**199**	**454**	**—**	**653**
Depreciation of property, plant and equipment	**543**	**2,383**	**1**	**2,927**	**125**	**115**	**3,167**
Amortisation of intangible assets	**68**	**27**	**—**	**95**	**—**	**—**	**95**
Net provision for inventories	**(1,602)**	**4,135**	**32**	**2,565**	**—**	**—**	**2,565**

	Unaudited						
	Six months ended 30 September 2017						
	Continuing operations					Discontinued operations	
	Retailing of footwear						
							(Restated)
	Hong Kong	The PRC	Taiwan	Subtotal	Unallocated	e-Commerce and e-Payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	45,050	124,778	3,289	173,117	—	—	173,117
Segment loss	(13,442)	(33,618)	(630)	(47,690)	(69,359)	(1,370)	(118,419)
Finance income							3,606
Finance costs							(27,904)
Share of loss of associates							(1,307)
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	12	58	3,307
Amortisation of intangible assets	67	279	—	346	—	—	346
Net provision for inventories	693	1,940	345	2,978	—	—	2,978

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

	Unaudited As at 30 September 2018					
	Continuing operations				**Discontinued operations**	
	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	**44,919**	**67,471**	**3,091**	**115,481**	**249,114**	**364,595**
Unallocated assets						**251,782**
Total assets						**616,377**
Segment liabilities	**30,305**	**86,442**	**953**	**117,700**	**59,666**	**177,366**
Unallocated liabilities						**533,035**
Total liabilities						**710,401**

	Audited As at 31 March 2018					
	Continuing operations				Discontinued operations	
	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	84,885	148,267	3,989	237,141	241,830	478,971
Unallocated assets						255,668
Total assets						734,639
Segment liabilities	28,482	109,663	6,106	144,251	52,408	196,659
Unallocated liabilities						500,777
Total liabilities						697,436

4 Other losses, net

	Unaudited 2018 HK$'000	Unaudited 2017 HK$'000
Loss on disposals of property, plant and equipment	**(274)**	—
Net foreign exchange losses	**79**	(1,361)
	(195)	(1,361)

5 Other income

	Unaudited 2018 HK$'000	(Restated) Unaudited 2017 HK$'000
Government subsidies	**16**	—
Licence fee income	**239**	220
Others	**426**	1,593
	681	1,813

6 Loss before income tax

	Unaudited 2018 HK$'000	(Restated) Unaudited 2017 HK$'000
Loss before income tax is arrived at after charging:		
Purchase of and changes in inventories	**48,338**	90,986
Operating lease rental in respect of leasehold land and buildings		
— minimum leases payments	**15,032**	15,902
— turnover rental expenses	**18,951**	45,850
Employee benefit expenses	**55,990**	79,789

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

(a) Basic

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 2018	(Restated) Unaudited 2017
Loss from continuing operations attributable to equity holders of the Company *(HK$'000)*	**(125,361)**	(142,065)
Loss from discontinued operations attributable to equity holders of the Company *(HK$'000)*	**(868)**	(1,335)
Loss attributable to equity holders of the Company *(HK$'000)*	**(126,229)**	(143,400)
Weighted average number of ordinary shares in issue *('000)*	**716,190**	716,190

(b) Diluted

Diluted loss per share is the same as basic loss per share for the period ended 30 September 2018 and 2017 as the Company's outstanding share options and convertible bonds have an anti-dilutive effect on the basic loss per share.

9 Dividend

The Board has resolved not to declare interim dividend for the period (30 September 2017: Nil).

10 Trade receivables

Ageing analysis of third party trade receivables is as follows:

	Unaudited 30 September 2018 *HK$'000*	Audited 31 March 2018 *HK$'000*
0 — 30 days	**7,111**	19,724
31 — 60 days	**1,208**	8,827
61 — 90 days	**1,107**	2,527
Over 90 days	**8,503**	7,812
	17,929	38,890
Less: provision for impairment of trade receivables	**(516)**	(567)
	17,413	38,323

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 is as follows:

	Unaudited 30 September 2018	Audited 31 March 2018
	HK$'000	*HK$'000*
0 — 30 days	**694**	12,323
31 — 60 days	**217**	5,239
61 — 90 days	**212**	1,020
Over 90 days	**67,014**	84,155
	68,137	102,737

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Retailing Business

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

As at 30 September 2018, the Group operated a total of 15 Self-managed Shops (1 in the PRC and 14 in Hong Kong), 140 Concession Points (131 in the PRC, 1 in Hong Kong and 8 in Taiwan) and 1 Franchised Stores in the PRC. During the six months ended 30 September 2018 ("**Period**"), the Group had a net decrease of 10 Self-managed Shops and 140 Concession Points. 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 2018 and 31 March 2018.

	As at 30 September 2018				As at 31 March 2018			
Region	**Self-managed Shops**	**Concession Points**	**Franchised Stores**	**Total**	Self-managed Shops	Concession Points	Franchised Stores	Total
The PRC								
Beijing	—	**36**	—	**36**	3	62	—	65
Eastern China	—	**23**	—	**23**	—	57	—	57
Southern China	**1**	**12**	—	**13**	1	29	—	30
Western China	—	**13**	—	**13**	—	33	—	33
Central China	—	**26**	—	**26**	—	49	—	49
Northern China	—	**21**	**1**	**22**	—	40	1	41
Sub-total	**1**	**131**	**1**	**133**	4	270	1	275
Hong Kong	**14**	**1**	—	**15**	21	2	—	23
Taiwan	—	**8**	—	**8**	—	8	—	8
Total	**15**	**140**	**1**	**156**	25	280	1	306

For the six months ended 30 September 2018, the Group recorded a decrease of 59.2% in its consolidated revenue to approximately HK$71 million (30 September 2017: HK$173 million), which comprised mainly in retailing of footwear. Loss attributable to the equity holders was approximately HK$126 million for the six months ended 30 September 2018 (30 September 2017: HK$143 million). Loss per share amounted to approximately 17.63 HK cents per share. A summary of the revenue from by region from retailing business of the Group is set out below:

Total revenue by region

	Six months ended 30 September 2018 *(HK$'000)*	**% to Total**	Six months ended 30 September 2017 *(HK$'000)*	% to Total	% change decrease
Total revenue by region:					
The PRC	**38,733**	**54.8%**	124,778	72.1%	69.0%
Hong Kong	**29,042**	**41.1%**	45,050	26.0%	35.5%
Taiwan	**2,891**	**4.1%**	3,289	1.9%	12.1%
Total	**70,666**	**100%**	173,117	100.0%	59.2%

For the six months ended 30 September 2018, the revenue generated from retailing business was approximately HK$71 million (30 September 2017: HK$173 million), representing a decrease of 59.2% as compared to last corresponding period. The revenue from the PRC, Hong Kong and Taiwan markets decreased by 69.0%, 35.5% and 12.1% respectively, and these three geographical segments accounted for 54.8%, 41.1% and 4.1% of its total revenue respectively (30 September 2017: 72.1%, 26.0% and 1.9%).

The PRC

During the Period under review, the revenue generated from the PRC was approximately HK$39 million (30 September 2017: HK$125 million), representing a decrease of 69.0% as compared to last corresponding period. The operation in the PRC incurred a loss of HK$44 million, an increase of 30.8% as compared to last corresponding period. The decrease in revenue was mainly driven by a reduction in sales volume and decrease in number of shop during the Period.

Hong Kong

During the Period under review, the revenue generated from Hong Kong was approximately HK$29 million (30 September 2017: HK$45 million), representing a decrease of 35.5% as compared to last corresponding period. The operating loss in Hong Kong was approximately HK$8 million, a decrease of 38.4% as compared to last corresponding period.

Taiwan

During the Period under review, the revenue generated from Taiwan was approximately HK$3 million (30 September 2017: HK$3 million). The operating loss in Taiwan was approximately HK$0.3 million, a decrease of 50.6% as compared to the last corresponding period.

e-Commerce and e-Payment Business

The Group is designated by UnionPay International Co., Ltd as its oversea UnionPay card clearing institution and has granted the authorization to conduct offline clearing business in Hong Kong, Italy, France, Korea and Japan, as well as the global online clearing business. At present, the Group actively seeks the suitable merchant to install the point-of-sale terminals to develop the offline clearing business and develop its online e-Commerce clearing business on different online platforms and mobile applications simultaneously. The Group intended to sell the e-Commerce and e-Payment business to the potential investor.

Financial Review

Financial Position

The Group maintained a stable financial position throughout the six months ended 30 September 2018. It financed its operations with internal funds, issuing the bonds and the standby evolving loan facilities by the independent third party and adopted a prudent approach in managing its financial needs.

As at 30 September 2018, the Group had cash and cash equivalents amounting to approximately HK$9 million (31 March 2018: HK$54 million). The Group has no outstanding bank borrowings bearing a fixed interest rate (31 March 2018: HK$5 million) with a maturity of less than one year. Current and non-current convertible bonds were approximately HK$133 million and HK$27 million respectively. As at 30 September 2018, the current ratio stood at 0.9 times (31 March 2018: 3.3 times) and the gearing ratio stood at 86.3% (31 March 2018: 68.7%).

As at 30 September 2018, the Group had no banking facilities (31 March 2018: Nil) and no charge on its assets. The Group also had no bank loans and bank guarantees as at 30 September 2018 (31 March 2018: HK$5 million).

During the Period under review, inventory turnover days increase to approximately 253 days (30 September 2017: 243 days). As at 30 September 2018, inventory amounted to approximately HK$44 million (31 March 2018: HK$97 million).

Capital Expenditure

During the Period under review, the Group's capital expenditure amounted to HK$0.7 million (30 September 2017: HK$4 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 the standby evolving loan facilities by independent third party will be sufficient to fulfill its working capital requirements and its financial position remains sound for continuous operation and expansion.

Foreign Exchange Management

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

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 from the Second Bonds were approximately HK$146,900,000. As at 31 March 2018, the Company had utilized the net proceeds of approximately HK$127,956,000 and had unutilized the net proceeds of approximately HK$18,944,000. Due to the "One Belt, One Road" ("**OBOR**") project has been completed and had no potential acquisition to be invested in the near future. The Company resolved to reallocate the unutilized net proceeds, original allocated for the development of the OBOR related business and other future acquisitions, to the general working capital of the Group so as to enhance the efficiency of the deployment of the net proceeds. During the six month ended 30 September 2018 the net proceeds had been utilized as follows:

1.	Interest payment of the First Bonds and Second Bonds	HK$5,648,000
2.	Payment of salary and rental expenses for the operation of the existing businesses of the Group	HK$12,389,000
	Total net proceeds utilised	HK$18,037,000

As at 30 September 2018, the balance of the net proceeds of the Second Bonds was approximately HK$907,000, which was deposited with the Bank in Hong Kong and will be used for the general working capital of the Group. During the Period, no Share was issued by the Company upon the subscriber exercise of their conversion rights of the bonds.

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.

Pledge of Assets

As at 30 September 2018, the Group had no pledge of assets (31 March 2018: Nil).

Contingent Liabilities

As at 30 September 2018, the Group had no material contingent liabilities or off-balance sheet obligations (31 March 2018: Nil).

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**"). The Vendor and the Company will further enter into the notarial deed of purchase, which is within six months after completion of the construction of the Properties. The construction of the Properties commenced in June 2017 and the Properties are currently under construction and the construction is expected to be completed in June 2019.

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 Subsidiaries And Associated Companies

On 2 July 2018, Genius Earn Investments Limited, a wholly owned subsidiary of the Group ("Vendor"), entered into the disposal agreement between with the purchaser in relation to the disposal of 49% of the issued share capital of Ascent Pride Investments Limited ("**Target Company**"), a wholly owned subsidiary of the Group ("**Disposal Agreement**"), at the consideration of HK$50,000,000 ("**Disposal**"). The Target Company owned the companies established in the PRC principally engaged in development and retailing of footwear products in the PRC. The Vendor and the purchaser shall use its best endeavours to procure the fulfillment of the conditions set out in the Disposal Agreement. If the said conditions have not been satisfied on or before the date falling six months after the date of the Disposal Agreement, or such later date as the Vendor and the purchaser may agree in writing, the Disposal Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms thereof. Upon completion of the Disposal, the Group will remain to have 51% interests in the Target Company. Pursuant to Rule 14.44 of the Listing Rules, a written shareholder's approval for the Disposal Agreement has been obtained from the controlling Shareholder, in lieu of holding a general meeting of the Company. Details of the Disposal are set out in the announcement of the Company dated 6 July 2018 and the circular dated 17 August 2018. As at the date of this announcement, this transaction has not completed.

Group Structure

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

Human Resources

As at 30 September 2018, the Group had a total of 714 employees (31 March 2018: 1,169 employees) and the total staff cost for the Period was approximately HK$56 million (30 September 2017: HK$80 million), representing 79.2% 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.

Outlook

During the Period, the Group has proactively undertaken measures to mitigate the negative impact of intense competition in the retail market and the increasing costs of operation on its business. In view of the perpetual turbulence in the global economy, uncertainties will continue to weigh on the global economic growth, bringing a new round of challenges to the Group in the coming year.

The Group will continue to restructure its sales network in the PRC. During the Period, the Group has reduced the retail points in the PRC from 275 stores to 133 stores to map its stores in cities with considerable consumption potential. Meanwhile, the Group will continue to set up pop-up outlets and step up its wholesale business to ease the inventory pressure. The Group anticipates that the implementation of cost control measures will effectively lower the impact of soaring rents, salaries and other operating costs.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 September 2018 (30 September 2017: Nil).

CORPORATE GOVERNANCE

According to Rule 3.10(1) and 3.21 of Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), the Board is required at least three independent non-executive Directors and the audit committee of the Board ("**Audit Committee**") must comprise a minimum of three members. Following the resignation of Mr. LEUNG Man Ho as an independent non-executive Director and ceased to the member of both Audit Committee, nomination committee of the Board and remuneration committee of the Board ("**Remuneration Committee**") with effect from 29 September 2018 and the appointment of Mr. CHAU Wai Hing, an independent non-executive Director, as a member of the Remuneration Committee with effect from 29 September 2018, the Board has two independent non-executive Directors and the Audit Committee comprises only two members. This was in deviation from Rules 3.10(1) and 3.21 of the Listing Rules.

Save as disclosed above, 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 the Listing Rules on the Stock Exchange throughout the six months ended 30 September 2018.

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 2018.

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 2018 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 2018, 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, 27 November 2018

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

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

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