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EVERGREEN INTERNATIONAL HOLDINGS LIMITED
長興國際(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 238)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	2018	2017	%
	RMB'million	*RMB'million*	*Change*
Revenue	**284.5**	335.5	-15.2%
Gross profit	**152.9**	206.8	-26.1%
Loss attributable to ordinary equity holders of the Company	**(111.8)**	(139.0)	-19.6%
Basic and diluted loss per share *(RMB cents)*	**(11.8)**	(14.6)	-19.2%
Gross profit margin	**53.7%**	61.6%	
Net loss margin	**(39.3)%**	(41.4)%	
Effective tax rate	**(30.8)%**	(8.4)%	
Inventory turnover days	**379**	499	
Trade receivables turnover days	**92**	91	
Trade payables turnover days	**61**	43	

The board (the "Board") of directors (the "Directors") of Evergreen International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
REVENUE	*4*	**284,521**	335,469
Cost of sales		**(131,662)**	(128,664)
Gross profit		**152,859**	206,805
Other income and gains	*4*	**37,019**	14,788
Selling and distribution expenses		**(185,450)**	(214,692)
Administrative expenses		**(47,183)**	(59,332)
Other expenses		**(16,796)**	(50,845)
Finance costs	*6*	**(25,943)**	(24,971)
LOSS BEFORE TAX	*5*	**(85,494)**	(128,247)
Income tax expense	*7*	**(26,317)**	(10,731)
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**(111,811)**	(138,978)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*9*	**RMB(11.8) cents**	RMB(14.6) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**(111,811)**	(138,978)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of operations outside Mainland China	**(21,960)**	27,251
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(21,960)**	27,251
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**1,697**	–
Income tax effect	**(424)**	–
	1,273	–
Gains on property revaluation	**75,948**	–
Income tax effect	**(18,987)**	–
	56,961	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**58,234**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**36,274**	27,251
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(75,537)**	(111,727)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**106,434**	354,943
Investment properties		**329,854**	–
Prepaid land lease payment		**44,162**	45,124
Goodwill		**–**	1,880
Other intangible asset		**4,031**	3,845
Long term lease prepayment		**61,016**	62,596
Available-for-sale investments		**–**	36,800
Equity investment designated at fair value through other comprehensive income		**27,830**	–
A financial asset at fair value through profit or loss		**–**	–
Deferred tax assets		**–**	18,921
Total non-current assets		**573,327**	524,109
CURRENT ASSETS			
Inventories	*10*	**112,474**	160,746
Trade receivables	*11*	**63,342**	79,506
Prepayments, other receivables and other assets		**27,163**	38,048
Tax recoverable		**–**	2,974
Cash and cash equivalents		**458,681**	434,403
Total current assets		**661,660**	715,677

	Note	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Trade payables	*12*	**26,768**	17,310
Other payables and accruals		**63,764**	56,372
Interest-bearing bank and other borrowings		**119,018**	160,686
Amount due to the ultimate holding company		**87,472**	–
Tax payable		**1,799**	2,856
Total current liabilities		**298,821**	237,224
NET CURRENT ASSETS		**362,839**	478,453
TOTAL ASSETS LESS CURRENT LIABILITIES		**936,166**	1,002,562
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**117,825**	132,477
Deferred tax liabilities		**23,605**	–
Total non-current liabilities		**141,430**	132,477
Net assets		**794,736**	870,085
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital		**829**	829
Reserves		**793,907**	869,256
Total equity		**794,736**	870,085

Notes:

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 26 June 2008 as an exempted company with limited liability under the Companies Law, Cap. 22 of the Cayman Islands. The registered office address of the Company is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal activity of the Company is investment holding.

During the year, the Group was principally engaged in the manufacturing and trading of clothing and clothing accessories in the People's Republic of China (the "PRC").

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Pacific Success Holdings Limited, which was incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments designated at fair value through other comprehensive income and an equity investment which has been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), except when otherwise indicated.

As at 31 December 2018, a subsidiary did not meet a financial covenant requirement of a long term loan provided by a bank in Mainland China. As set out in the respective loan agreement, the bank has the rights to demand for immediate repayment from the subsidiary when it becomes aware of the non-compliance incident. Management has reported the non-compliance incident to the bank during the year. However, no waiver has been granted by the bank nor has immediate repayment been demanded by the bank up to the date of this announcement. The outstanding loan balance amounting to approximately RMB34,920,000 was recorded in short term liability as at 31 December 2018 (2017: RMB75,660,000).

In the opinion of the Directors, the going concern assumption to prepare the consolidated financial statements is considered to be appropriate because the Group had cash and cash equivalents of RMB458,681,000, net current assets of RMB362,839,000 and net assets of RMB794,736,000 as at 31 December 2018, and unused bank and other borrowings facilities of RMB225,919,000 as at the same date to meet the future operation and funding needs of the Group, respectively.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the ordinary equity holders of the Company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of clothing and clothing accessories. For management purposes, the Group operates in one business unit and has one reportable operating segment, which is the clothing segment that produces and trades menswear, children's wear and other accessories.

No operating segments have been aggregated to form the above reportable operating segment.

As all of the Group's revenue is derived from customers based in the PRC and all of the Group's identifiable non-current assets are located in the PRC, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contract with customers		
Sale of goods	**284,521**	335,469
Other income and gains		
Foreign exchange gains, net	**13,991**	–
Fair value gains on investment properties	**13,139**	–
Rental income	**6,893**	–
Bank interest income	**1,742**	11,953
Dividend income from an available-for-sale investment	**–**	1,855
Others	**1,254**	980
	37,019	14,788

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2018 *RMB'000*	2017 *RMB'000*
Cost of inventories sold	**131,662**	128,664
Depreciation	**13,840**	24,509
Change in fair value of investment properties**	**(13,139)**	–
Recognition of prepaid land lease payment	**962**	962
Amortisation of long term lease prepayment	**1,580**	1,582
Operating lease rental expense:		
Minimum lease payments	**14,636**	26,555
Contingent rents	**87,711**	84,398
	102,347	110,953
Auditor's remuneration	**1,891**	1,855
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	**43,236**	54,862
Pension scheme contributions	**5,133**	5,950
Equity-settled share option expense	**104**	553
	48,473	61,365
Write-down of inventories to net realisable value*	**7,901**	16,790
Loss on disposal of items of property, plant and equipment*	**–**	3,465
Impairment of goodwill*	**1,880**	–
Impairment of trade receivables*	**4,863**	5,543
Impairment of financial assets included in prepayment, other receivables and other assets*	**1,891**	1,205
Foreign exchange differences, net	**(13,991)****	22,908*

* These items are included in "Other expenses" in the consolidated statement of profit or loss.

** This item is included in "Other income and gains" in the consolidated statement of profit or loss.

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**9,494**	12,050
Interest on bonds payable	**16,437**	12,904
Interest on a finance lease	**12**	17
	25,943	24,971

7. INCOME TAX

	2018	2017
	RMB'000	*RMB'000*
Current — Charge for the year		
Hong Kong	**–**	728
Mainland China	**3,202**	2,289
Withholding tax at 5% on the distributed profits of a Group's PRC subsidiary	**–**	8,478
Deferred	**23,115**	(764)
Total tax charge for the year	**26,317**	10,731

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No profits tax has been provided for profits derived from the Cayman Islands and British Virgin Islands in both 2018 and 2017 since the applicable profits tax rate is zero.

No Hong Kong profits tax has been provided for the year 2018 as there was no assessable profit generated. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2017.

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2017: 25%) on the taxable profits for the years ended 31 December 2018 and 2017, based on the existing legislation, interpretations and practices in respect thereof.

8. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2018 (2017: RMB151,812,000) to the ordinary equity holders of the Company.

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity holders of the Company, and the adjusted weighted average number of shares in issue of 948,799,763 (2017: 948,799,763) during the year ended 31 December 2018, which reflects the ordinary shares held for the share award plan of the Company (the "Share Award Plan") during the year.

The calculation of the diluted loss per share amount is based on the loss attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of basic and diluted loss per share is based on:

	2018	2017
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation	**111,811**	138,978

	Number of shares	
	2018	2017
Shares		
Number of ordinary shares in issue	**948,825,763**	948,825,763
Weighted average number of ordinary shares held for the Share Award Plan	**(26,000)**	(26,000)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	**948,799,763**	948,799,763

10. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**3,463**	3,549
Work in progress	**3,714**	3,423
Finished goods	**105,297**	153,774
	112,474	160,746

11. TRADE RECEIVABLES

Retail sales are made in cash or by credit card and sales through department stores are generally collectible within one month to three months. Sales to distributors are mainly on credit. The credit period is generally one month, extending up to three months. The Group grants longer credit periods to those long standing customers with good payment history.

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**36,239**	56,674
1 to 3 months	**9,926**	10,696
3 to 6 months	**4,216**	2,094
6 months to 1 year	**11,808**	4,799
Over 1 year	**1,153**	5,243
	63,342	79,506

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**2,025**	7,561
1 to 3 months	**8,663**	5,845
3 to 6 months	**9,314**	1,505
6 months to 1 year	**1,523**	979
Over 1 year	**5,243**	1,420
	26,768	17,310

Trade payables of the Group are non-interest-bearing and are normally settled on terms of three months, extending to longer periods with those long standing suppliers. The carrying amounts of the trade payables approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2018, the global economy continued to be complicated and volatile. According to the National Bureau of Statistics of China, the growth rate of gross domestic product ("GDP") of 2018 grew by 6.6%, higher than the government annual target of around 6.5%. The total retail sales of consumer goods in China amounted to RMB38.1 trillion, representing an increase of 9.0%. However, the growth rate was 1.2 percentage point lower than that of the previous year. The total retail sales of consumer goods realised in urban area amounted to RMB32.6 trillion, representing an increase of 8.8%, which was 1.2 percentage point lower than that of the previous year. Moreover, the total sales of garments, footwear, hats and knitwear amounted to RMB1.4 trillion, representing an increase of 8.0%, which was 0.2 percentage points higher than the increase in the previous year.

During the Year, faced with the challenge of the structural adjustments of the premium menswear industry in the PRC, the Group continued to formulate new strategies for and implemented adjustments to certain department stores based on their operational performances in order to improve their operational efficiency. Moreover, the Group closed or re-adjusted certain retail stores with unsatisfactory performances as part of its efforts to proactively make adjustments to its sales and distribution channels. Furthermore, the Group continued to enhance its brand image and brand awareness by putting through more efforts on promotional activities. Such efforts were aimed at maintaining the Group's financial position at a healthy level to achieve a sustainable development of the Group in the long run. On the other hand, the Group had been actively looking for other investment opportunities so as to diversify its income and returns.

Financial Review

During the year ended 31 December 2018, the Group recorded an aggregate turnover of approximately RMB284,521,000 (2017: RMB335,469,000), representing a decrease of approximately 15.2% compared with that of the previous year. Gross profit decreased from RMB206,805,000 for the year ended 31 December 2017 to RMB152,859,000 for the year ended 31 December 2018, representing a decrease of about 26.1%. Gross profit margin decreased from 61.6% for the year ended 31 December 2017 to 53.7% for the year ended 31 December 2018. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB111,811,000 for the year ended 31 December 2018 (2017: a loss of RMB138,978,000) and net loss margin for the year ended 31 December 2018 of 39.3% (2017: net loss margin of 41.4%). The decrease in the loss attributable to ordinary equity holders of the Company is mainly attributable to (i) net foreign exchange gain; (ii) increase in fair value of investment properties; and (iii) reduction in amount of the write-down of inventories to net realisable value.

Turnover

	2018		2017		Change
	RMB'000	***% of turnover***	*RMB'000*	*% of turnover*	*%*
Proprietary brands					
— Menswear					
Self-operated stores	**198,331**	**69.7**	204,234	60.9	-2.9
Distributors	**44,793**	**15.8**	43,353	12.9	3.3
	243,124	**85.5**	247,587	73.8	-1.8
Licensed brands	**41,397**	**14.5**	87,882	26.2	-52.9
	284,521		335,469		-15.2

The total turnover of the Group for the year ended 31 December 2018 decreased by 15.2% to approximately RMB284,521,000 (2017: RMB335,469,000). The decrease in turnover was mainly due to the decrease in sales of licensed brands as a result of the close-down of underperforming stores, amidst the overall weak and sluggish retail market.

Turnover of the Group for the year ended 31 December 2018 comprised sales from self-operated stores of RMB198,331,000 (2017: RMB204,234,000), sales to distributors of RMB44,793,000 (2017: RMB43,353,000), sales from the licensed brand business of RMB41,397,000 (2017: RMB87,882,000), including sales from children's wear and accessories business of RMB28,101,000 (2017: RMB44,429,000).

The aggregate sales from self-operated stores for the year ended 31 December 2018 decreased by 2.9% compared with that of the previous year, and accounted for 69.7% (2017: 60.9%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the year ended 31 December 2018 recorded an increase of 3.3% compared with that in the previous year and accounted for about 15.8% (2017: 12.9%) of the total turnover.

Turnover by Region

	2018		2017		Change
	RMB'000	***% of turnover***	*RMB'000*	*% of turnover*	*%*
Menswear					
Central China	**11,703**	**4.8**	16,027	6.5	-27.0
North Eastern China	**5,631**	**2.3**	9,446	3.8	-40.4
Eastern China	**14,688**	**6.0**	20,362	8.2	-27.9
North Western China	**44,985**	**18.5**	44,479	18.0	1.1
Northern China	**33,151**	**13.6**	37,574	15.2	-11.8
South Western China	**35,583**	**14.6**	34,189	13.8	4.1
Southern China	**93,566**	**38.5**	79,109	31.9	18.3
Hong Kong	**3,817**	**1.7**	6,401	2.6	-40.4
Total	**243,124**		247,587		-1.8

The sales in the South Western, Northern and Southern regions of China for the year ended 31 December 2018 accounted for 66.7% (2017: 60.9%) of the total revenue generated by menswear, which was mainly attributable to the fact that ***V.E. DELURE*** retail stores were located in first-tier and second-tier cities, where the targeted ***V.E. DELURE*** customers were relatively more affluent with strong purchasing power.

Turnover by Product (self-operated stores only)

	2018	2017
	RMB'000	*RMB'000*
Menswear		
Apparel(1)	**190,987**	195,550
Accessories(2)	**7,344**	8,684
	198,331	204,234

	2018	2017
	Unit sold	Unit sold
	pcs	*pcs*
Sales Volume		
Menswear		
Apparel[1]	**224,078**	195,917
Accessories[2]	**25,081**	32,306

	2018	2017
	RMB	*RMB*
Average Selling Price		
Menswear		
Apparel[1]	**852**	998
Accessories[2]	**293**	269

Notes:

(1) Apparel products include, among others, suits, jackets, pants, coats, shirts and polo-shirts.

(2) Accessories products include, among others, ties, cuff-links, pens and leather products.

Cost of Sales

The cost of sales of the Group increased by 2.3% for the year ended 31 December 2018 to approximately RMB131,662,000 (2017: RMB128,664,000) which was in line with the increase in sales volumes of menswear during the year. During the year, the Group continued to outsource the production process of most of its apparel and accessories products. The Group sourced children's wear and accessories from the licensed international fashion brands. The Group performed sampling, packaging and post-finish processing of the apparel products produced by outsourced manufacturers, and manufactured a small portion of the apparel products in its own plant.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by RMB53,946,000 or 26.1%, from RMB206,805,000 for the year ended 31 December 2017 to RMB152,859,000 for the year ended 31 December 2018.

During the year, largely due to the decrease of the average selling price of menswear and the closure of underperforming retail stores and other rationalisation processes, there was a decrease of 7.9 percentage points in gross profit margin from 61.6% for the year ended 31 December 2017 to 53.7% for the year ended 31 December 2018.

Other Income and Gains

During the year, other income and gains mainly consisted of net foreign exchange gains of RMB13,991,000 (2017: Nil); fair value gains on investment properties of RMB13,139,000 (2017: Nil); and rental income of RMB6,893,000 (2017: Nil).

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of rental and concessionaire commission to shopping malls and department stores of self-operated stores of approximately RMB87,711,000 (2017: RMB84,398,000), advertising and promotion expenses of approximately RMB17,266,000 (2017: RMB22,012,000), and staff costs of approximately RMB35,996,000 (2017: RMB47,422,000). During the year, the selling and distribution expenses represented about 65.2% (2017: 64.0%) of turnover. The decrease in the selling and distribution expense was mainly due to the closure of underperforming retail stores during the year.

Administrative Expenses

Administrative expenses decreased from RMB59,332,000 for the year ended 31 December 2017 to RMB47,183,000 for the year ended 31 December 2018, representing a decrease of 20.5%. During the year, administrative expenses accounted for 16.6% (2017: 17.7%) of turnover. The decrease in administrative expenses was mainly attributable to the decrease in staff costs, depreciation and property management fees due to the renting out of the office building.

Finance Costs

Finance costs for the year ended 31 December 2018 mainly represented interest expenses on interest-bearing bank and other borrowings.

Effective Tax Rate

During the year, the effective tax rate of the Group was –30.8% (2017: -8.4%).

Loss Attributable to Ordinary Equity Holders of the Company

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB111,811,000 for the year ended 31 December 2018 (2017: a loss of RMB138,978,000) and a net loss margin for the year ended 31 December 2018 of 39.3% as compared with a net loss margin of 41.4% for the year ended 31 December 2017. Loss per share of RMB11.8 cents was recorded for the year ended 31 December 2018 (2017: loss per share of RMB14.6 cents).

Business Review

Proprietary Brands

The Group currently owns two proprietary brands in the menswear market of China catering to consumers with different needs, tastes and consumption patterns. ***V.E. DELURE*** offers business formal and casual menswear and accessories targeting affluent and successful men with a brand theme of "love"; while ***TESTANTIN*** offers contemporary and chic casual menswear and accessories targeting a younger and more fashion conscious age group with a brand theme of "artistic expression and simplicity".

The Group's two proprietary brands, ***V.E. DELURE*** and ***TESTANTIN***, recorded an overall positive same-store sales growth for the self-operated stores business of 5.68% during the year.

Retail and Distribution Network

Number of stores of proprietary brands by region

	2018	2017
Central China	**12**	14
North Eastern China	**3**	11
Eastern China	**14**	18
North Western China	**13**	25
Northern China	**20**	29
South Western China	**19**	22
Southern China	**21**	30
Hong Kong and Macau	**1**	2
	103	151

In line with its previous years' business strategies, the Group continued to optimise the retail and sales network based on the demand in different target market segments. The Group has strategically used a mixed business model of opening self-operated stores in high-tier cities and franchised stores by distributors in low-tier cities. Opening self-operated stores enables the Group to have direct contact and interaction with target customers so as to optimise its marketing efforts and to directly instill in the customers the brand image and philosophy of the Group. Engaging distributors to open franchised stores allows the Group to expand its retail network quickly, leverage the profound understanding and experience of the distributors in local markets in which they operated, and penetrate into the fragmented menswear market in these cities with lower capital expenditure.

In view of the challenging retail environment and weak consumer sentiment, the Group adopted a more prudent approach in business development, strategically adjusted the store opening plan in response to the challenging market conditions and retail environment and consolidated stores which had been operated with low efficiency.

As at 31 December 2018, the Group had a total of 103 stores in 22 provinces and autonomous regions, covering 55 cities in China. There were 47 self-operated stores in 15 cities in China.

In addition, the total number of distributors of the Group amounted to 56, which operated franchised stores of ***V.E. DELURE*** in 40 cities.

Number of stores of proprietary brands by city tier

	2018	2017	Changes
Self-operated stores			
First-tier	**7**	12	-5
Second-tier	**33**	36	-3
Third-tier	**6**	8	-2
Fourth-tier	**1**	2	-1
	47	58	-11
Franchised stores			
First-tier	**–**	–	–
Second-tier	**14**	17	-3
Third-tier	**34**	56	-22
Fourth-tier	**8**	20	-12
	56	93	-37
	103	151	-48

First-tier cities: Beijing, Shanghai, Guangzhou, Hong Kong
Second-tier cities: provincial capital cities excluding Beijing, Shanghai and Guangzhou
Third-tier cities: prefecture-level cities other than provincial capital cities
Fourth-tier cities: county-level cities

The number of menswear self-operated stores decreased from 58 as at 31 December 2017 to 47 as at 31 December 2018 as a result of the consolidation of underperforming stores. Franchised stores operated by the distributors of the Group decreased from 93 as at 31 December 2017 to 56 as at 31 December 2018. As at 31 December 2018, the total area of self-operated stores was approximately 9,974 square meters (2017: 12,147 square meters), representing a decrease of 17.9% compared with that in the previous year.

Licensed International brands

Apart from the licensed brand business of ***CARTIER***, the Group commenced the new business segment of high-end children's wear and accessories products in August 2014. As at 31 December 2018, the Group had generated revenue from the sales of the following 13 international fashion brands:

Brand portfolio

Brands	**Territories**
Diesel Kids	Mainland China, Hong Kong
Donsje	Mainland China, Hong Kong
Dsquared2	Mainland China
Fendi Kids	Mainland China
Kenzo Kids	Hong Kong
Lanvin	Mainland China, Hong Kong
Mini Rodini	Mainland China, Hong Kong
Moncler	Mainland China
Paul Smith Junior	Mainland China, Hong Kong
Roberto Cavalli Junior	Mainland China, Hong Kong
Sonia Rykiel Paris	Mainland China, Hong Kong
Simonetta	Mainland China, Hong Kong
Trussadi Junior	Mainland China, Hong Kong

As at the date of this announcement, the Group has 1 mono-brand retail store in Mainland China.

In addition, to cater for consumer appetite and preference, especially those of the growing number of middle-class couples, the Group has created and launched its new lifestyle concept store, ***Kissocool***. This new concept store served as a one-stop platform offering children's wear and accessories products from prestigious international brands and created a leisure shopping environment with recreational, entertainment and snack zones for customers. The Group is dedicated to enhancing the ultimate shopping experiences by catering to the desires of each family member under a relaxing shopping environment. This, in turn, can foster a more comprehensive and loyal customer base. The Group believes ***Kissocool*** will further strengthen the brand image and attract more brand owners to establish strategic partnerships. The Group has 5 ***Kissocool*** concept stores in the Mainland China and Hong Kong as at the date of this announcement.

For the year ended 31 December 2018, the Group's high-end children's wear and accessories product segment recorded a total revenue of RMB28,101,000 and a net loss of RMB21,162,000.

Sales Fair

The ***V. E. DELURE*** 2019 Spring and Summer collection sales fair was held in July 2018. The total orders from franchised stores operated by the distributors of the Group increased by 4% compared with that of the previous year, with delivery of the orders having commenced in January 2019.

The ***V. E. DELURE*** 2019 Fall and Winter collection sales fair was held in February 2019. The total orders from franchised stores operated by the distributors of the Group decreased by 9% compared with that of the previous year, mainly because the distributors remained uncertain and cautious towards the retail market. Delivery of the orders will commence in July 2019.

Inventory Management

The Group maintains an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distributors without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store and distributor. Moreover, orders placed by the distributors are distributed proportionally in the first batch of orders placed at the sales fair and the supplemental orders placed following the commencement of the season. During the year, the inventory turnover days of the Group decreased from 499 days as at 31 December 2017 to 379 days as at 31 December 2018, representing a decrease of 120 days compared with that of the previous year. The inventory balance decreased from RMB160,746,000 as at 31 December 2017 to RMB112,474,000 as at 31 December 2018. The Group will continue to implement a series of measures such as the use of outlets, temporary promotional sales fairs and online business platforms to speed up the process of selling the aged inventories.

Marketing and Promotion

The Group has a dedicated marketing team to organise and execute the marketing and promotional activities of its products. The Group focuses on the long-term development of its brands. Different types of marketing and promotional activities of the Group not only strengthen the brand recognition and value, but also promote its brand themes.

In 2018, the total expenditure of the Group on marketing and promotional activities amounted to approximately RMB17,266,000 (2017: RMB22,012,000), accounting for 6.1% (2017: 6.6%) of the turnover. The Group will strive to maintain the ratio within the range of 5%–7% whilst promoting the brands effectively.

During the year, the Group organised regular advertising and promotional activities through different channels, such as advertisements in fashion magazines, promotional activities on the Internet and other media, and large advertising billboards in airports and well-known department stores and launching fashion shows.

The Group continued to be the exclusive sponsor of the formal attire of the PRC national table tennis team and badminton team, which sponsorship arrangement will last until 2020.

The Group treats its retail stores as one of the important channels to promote and enhance brand equity. During the year, the Group continued to carry out store image upgrading work, enhance the display space and further promote its high-end brand image in order to attract customers more effectively.

Apart from routine advertising and promotional activities, the Group also actively fulfilled its corporate social responsibility. The Group will continue to organise and participate in various charitable and social activities in the future. Such charitable activities not only strengthen the brand equity of the Group, but also promote the corporate image of the Group as a socially responsible enterprise.

Product Design and Development

Due to factors such as accelerating urbanisation and the rise of the middle class, consumption demand in the PRC keeps rising. Consumers pursue apparel products with superior materials, suitable cutting and unique style. While there are abundant product choices to customers in the market, the Group fully understands that fashionable and innovative apparel products not only attract consumers, but also provide the Group with a better pricing capability.

During the year, the Group continued its commitment to innovative product design and strict quality control, and launched unique product portfolios for ***V.E. DELURE***.

The Group also recruited experienced design talents to bring in fresh inspiration for innovation to further diversify product portfolios and increase its competitiveness. The Group has experienced, innovative and independent design teams for ***V.E. DELURE***, which are led by chief supervisors with substantial experience in fashion design.

Working Capital Management

A substantial part of the inventories of the Group was finished goods. The Group performed specific review on finished goods regularly. For slow-moving and obsolete inventories, the Group made specific provision for inventories with the net realisable value lower than their carrying value.

Inventory turnover days was 379 days as at 31 December 2018, representing a decrease of 120 days as compared to 499 days as at 31 December 2017.

Trade receivables represented the receivables for goods sold to the distributors for franchised stores and the receivables from department stores and shopping malls for self-operated stores. Trade receivables turnover days was 92 days as at 31 December 2018 (2017: 91 days).

Trade payables represented payables to suppliers and outsourced manufacturers. Trade payables turnover days increased from 43 days as at 31 December 2017 to 61 days as at 31 December 2018.

Use of Proceeds

The shares of the Company (the "Share") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 November 2010. Net proceeds from the global offering were approximately RMB1,017.4 million (equivalent to approximately HK$1,167.0 million), after deducting the underwriting commission and relevant expenses. As at 31 December 2018, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

Use of funds raised

	Percentage to total amount	**Net proceeds**	**Utilised amount (as at 31 December 2018)**	**Unutilised amount (as at 31 December 2018)**
		RMB'million	*RMB'million*	*RMB'million*
Expansion and improvement of retail network	45%	457.8	457.8	–
Developing independent lines of branded apparels and accessories under ***V.E. DELURE*** brand	10%	101.7	101.7	–
Acquisitions or licensing of additional brands	20%	203.5	0.1	203.4
Marketing and promotional activities	7%	71.2	71.2	–
Upgrade of ERP system and database management system	5%	50.9	4.4	46.5
Hiring international design talent and design consultant firms, expanding the Group's existing design team and establishing the Group's own research and design centre	5%	50.9	6.3	44.6
General working capital	8%	81.4	81.4	–
	100%	1,017.4	722.9	294.5

Liquidity and Financial Resources

As at 31 December 2018, the Group had cash and cash equivalents of RMB458,681,000 (2017: RMB434,403,000). As at 31 December 2018, the aggregate principal amount of the outstanding corporate bonds was HK$193,900,000 (equivalent to approximately RMB169,895,000) which will mature on the date immediately following 12 months to 96 months after the first issue date, subject to any early redemption request by the Company. The bonds bear coupon rate ranging from 4.25% to 6.75% per annum, payable semi-annually in arrears. As at 31 December 2018, the Group had interest-bearing bank and other borrowings of an aggregate amount of RMB236,843,000 (2017: RMB293,163,000), which were denominated in RMB, Hong Kong dollars and Euros, with maturity from one year to eight years or on demand and bore effective interest rates ranging from 2.5% to 12.85% per annum (2017: 2.55% to 12.85% per annum). The gearing ratio is calculated by dividing net debt by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals, amount due to the ultimate holding company less cash and cash equivalents. Capital represents equity attributable to ordinary equity holders of the Company. The gearing ratio was not applicable as at 31 December 2018 (2017: N/A).

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities.

Pledge of Assets

As at 31 December 2018, investment properties of RMB329,854,000 (2017: buildings of RMB340,542,000) were pledged as security for the bank borrowings of the Group.

Exchange Risk

The Group conducts business primarily in Hong Kong and Mainland China with most of the transactions denominated and settled in RMB and Hong Kong dollars. The reporting currency of the Group is RMB. Nevertheless, the Group purchases some raw materials and outsourced products in Euros and depreciation of RMB against the foreign currencies would increase the cost of sales of the Group.

The Group did not hedge its foreign exchange exposure during the year. However, the Group monitors foreign exchange exposure regularly and will consider if there is a need to hedge against significant foreign currency exposure when necessary.

Employee's Benefits

The Group offered its staff competitive remuneration schemes and training and development opportunities. The Group also provided in-house sales and services coaching in order to develop human capital. In addition, discretionary bonuses, share options and share awards may also be granted to eligible staff based on individual and the Group's performance as a means of rewarding and retaining high-calibre staff. Through the above policies, the Group strives to motivate and recognise its employees as the important assets of the Group.

The Group has adopted a defined contribution retirement benefits scheme (MPF Scheme) for Hong Kong employees, and contributions were made based on a certain percentage of the employee's basic salary. The contributions were charged to the statement of profit or loss when they became payable. In Mainland China, the Group made monthly contributions to the social security fund, including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance, for the employees of the Group according to the relevant laws in the PRC.

As at 31 December 2018, the total number of full-time employees of the Group was 400. The total staff costs (excluding directors' emoluments) for the year ended 31 December 2018 amounted to approximately RMB48,473,000 (2017: RMB61,365,000).

Prospects

In view of the persistent economic restructuring and reform in China, the outlook of retail sector in 2019 still remains uncertain and tough. However, as the Chinese government continues to stimulate domestic consumption to support economic growth, domestic consumption will remain as the core contributor to GDP growth and it is expected that the retail industry will achieve healthy and sustainable growth in the long run.

Despite the challenging business environment in the menswear industry, the Group will continue to invest resources in refining market strategy for brand building, reinforcing customer loyalty by organising marketing events and enhancing product quality and design to increase the competitiveness of its products and brands. Furthermore, the Group will continue to enhance its retail network prudently to prepare for the long-term development. The Group plans to open approximately 39 new retail stores for menswear business in 2019, of which approximately 19 are self-operated stores with the remaining 20 being franchised stores. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the operational efficiency. Our effort on inventory management in 2018 brought the stock level down from RMB160.7 million as at 31 December 2017 to RMB112.5 million as at 31 December 2018. The Group will continue to implement a series of measures including outlets, temporary promotional sales fair and online business platform to speed up the process of selling the aged inventories. Given that (i) domestic consumption will remain as the core contributor to GDP growth and (ii) it is expected that there will be continuous increase in domestic household income and the pursuit for high quality products by middle-class income consumers, the Group will continue to adopt a prudent and responsive business strategy to maintain its advantageous position in the high-end menswear market in Mainland China. The Group is confident in steady and healthy development of menswear market in Mainland China, especially that of the mid-end to high-end segments.

As at the date of this announcement, the Group has 1 mono-brand retail store and 5 ***Kissocool*** in Hong Kong and Mainland China for the children's wear and accessories products of high-end international fashion brands. The Group will adopt a cautiously optimistic view when it discusses with a number of shopping malls operators in Mainland China and extends its retail network in Mainland China in coming future.

The Group will continue to look for other new investment opportunities which could be beneficial to its shareholders in the long run.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Monday, 10 June 2019 (the "2019 AGM"), the register of members of the Company will be closed from Tuesday, 4 June 2019 to Monday, 10 June 2019, both days inclusive. In order to qualify for attending and voting at the 2019 AGM, all transfer documents together with the relevant share certificates should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 3 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Board has reviewed its corporate governance practices and ensures that the Company is in compliance with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "CG Code") and aligned with the latest development.

In the opinion of the Directors, the Company complied with all the code provisions set out in the CG Code during the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Specific enquiry was made to all the Directors and all the Directors confirmed that they had complied with the Model Code throughout the year ended 31 December 2018.

No incident of non-compliance of the written guidelines governing the securities transactions by employees who are likely to be in possession of inside information of the Company by the employees was noted by the Company during the year ended 31 December 2018.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members, namely Mr. Ng Wing Fai (chairman), Mr. Fong Wo, Felix and Mr. Cheng King Hoi, Andrew, all are independent non-executive Directors. The annual results of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's results for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("Ernst & Young") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on this preliminary announcement of results.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, result of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

ANNUAL GENERAL MEETING

The 2019 AGM of the Company will be held on Monday, 10 June 2019, and the notice of the 2019 AGM will be published and dispatched in the manner as required by the Listing Rules in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.evergreen-intl.com.

The 2018 annual report will also be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.evergreen-intl.com and will be dispatched to the shareholders of the Company.

For and on behalf of the Board
Evergreen International Holdings Limited
Chan Yuk Ming
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen as the executive Directors, and Mr. Fong Wo, Felix, Mr. Cheng King Hoi, Andrew and Mr. Ng Wing Fai as the independent non-executive Directors.