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

2019
Interim Report

V.E. DELURE

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CORPORATE **INFORMATION**

Directors

Executive Directors

Mr. Chan Yuk Ming *(Chairman)*
Mr. Chen Yunan
Mr. Chen Minwen

Independent Non-Executive Directors

Mr. Fong Wo, Felix
Mr. Cheng King Hoi, Andrew
Mr. Ng Wing Fai

Company Secretary

Mr. Hung Hing Hung

Authorised Representatives

Mr. Chan Yuk Ming
Mr. Hung Hing Hung

Audit Committee

Mr. Ng Wing Fai *(Chairman)*
Mr. Fong Wo, Felix
Mr. Cheng King Hoi, Andrew

Remuneration Committee

Mr. Cheng King Hoi, Andrew *(Chairman)*
Mr. Fong Wo, Felix
Mr. Ng Wing Fai

Nomination Committee

Mr. Fong Wo, Felix *(Chairman)*
Mr. Cheng King Hoi, Andrew
Mr. Ng Wing Fai

Share Award Plan Committee

Mr. Chan Yuk Ming *(Chairman)*
Mr. Chen Yunan
Mr. Cheng King Hoi, Andrew

Registered Office

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Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business and Headquarter in the People's Republic of China

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Zhujiang New Town Tianhe District
Guangzhou, China

Principal Place of Business in Hong Kong

Rooms 1305–1307, 13/F, New East Ocean Centre
9 Science Museum Road, Tsimshatsui East
Kowloon, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Bank of Beijing
Bank of China (Hong Kong) Limited
China Construction Bank Corporation Limited
Guangdong Jiedong Rural Commercial Bank Co., Ltd.
Guangzhou Rural Commercial Bank Co., Ltd.
Hang Seng Bank Limited
Ping An Bank Co., Limited
Shanghai Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

Auditor

Ernst & Young, Certified Public Accountants

Legal Advisor

MinterEllison LLP

Investor Relations

Investor Connect Advisory Ltd.

Stock Code

00238.HK

Company's Website

www.evergreen-intl.com


V.E. DELURE


V.E. DELURE

FINANCIAL **HIGHLIGHTS**

For the six months ended 30 June

	Six months ended 30 June		
	2019	2018	Changes
	RMB'million	RMB'million	%
Revenue	**103.0**	144.6	–28.8
Gross profit	**55.0**	79.9	–31.2
Loss attributable to ordinary equity holders of the Company	**(40.2)**	(51.4)	–21.8
Basic and diluted loss per share (RMB cents) *(Note 1)*	**(4.2)**	(5.4)	–22.2
Gross profit margin	**53.4%**	55.2%	
Net loss margin	**(39.0)%**	(35.6)%	
Effective tax rate	**(2.3)%**	6.8%	

	As at 30 June 2019	As at 31 December 2018
Inventory turnover days *(Note 2)*	**426**	379
Trade receivables turnover days *(Note 3)*	**95**	92
Trade payables turnover days *(Note 4)*	**82**	61

Notes:

1. Basic and diluted loss per share = loss attributable to ordinary equity holders of the Company/weighted average number of ordinary shares in issue

2. Inventory turnover days = Average of the opening and closing balances on inventory/cost of inventories sold for the period x number of days for the period

3. Trade receivables turnover days = Average of the opening and closing balances on trade receivables/revenue from sale of goods for the period x number of days for the period

4. Trade payables turnover days = Average of the opening and closing balances on trade payables/cost of inventories sold for the period x number of days for the period

MANAGEMENT DISCUSSION
AND ANALYSIS

The board (the "Board") of directors (the "Directors") of Evergreen International Holdings Limited (the "Company") is pleased to present to shareholders the interim report and unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019.

Market Review

During the first half of 2019, market confidence was generally negatively impacted by Sino-US trade tension and uncertainty on macroeconomic outlook. Key economies showed signs of slowing growth and the global markets took a cautious turn. During the same period, the economy in China maintained steady growth. Its gross domestic product ("GDP") growth in the first and second quarters was 6.4% and 6.2% respectively while overall GDP growth for the first half of the year was 6.3%. The Chinese government has launched larger scale tax cut and fee reduction measures. The measures are expected to stabilize growth and employment, improve business environment and stimulate market activities.

The total retail sales of consumer goods in China amounted to RMB19.5 trillion, representing an increase of 8.4% compared to the same period of last year. The total retail sales of consumer goods realised in urban area and rural area amounted to RMB16.7 trillion and RMB2.8 trillion, respectively, representing an increase of 8.3% and 9.1%, respectively, compared to the same period of last year. The growth rates were 0.9 percentage points lower and 1.4 percentage points lower than that in the first half of 2018, respectively. In particular, the total sales of garments, footwear, hats and knitwear in the first half of 2019 amounted to RMB0.7 trillion, representing an increase of 3.0% compared to the same period of last year. The growth rate was 6.2 percentage points lower than that of 9.2% in the first half of 2018.

During the period under review, the Group adhered to its corporate strategy adopted in the past few years of enhancing product design, providing products with better value-for-money while accelerating channel transformation. 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 six months ended 30 June 2019, the Group recorded an aggregate turnover of approximately RMB102,996,000 (six months ended 30 June 2018: RMB144,606,000), representing a decrease of approximately 28.8% compared to the same period of last year. Gross profit decreased from RMB79,872,000 for the six months ended 30 June 2018 to RMB54,980,000 for the six months ended 30 June 2019, representing a decrease of about 31.2%, and gross profit margin decreased from 55.2% for the six months ended 30 June 2018 to 53.4% for the same period of 2019. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB40,154,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB51,433,000) and a net loss margin for the six months ended 30 June 2019 of 39.0% as compared to a net loss margin of 35.6% for the six months ended 30 June 2018. The loss was mainly attributable to (i) the decrease in revenue in our licensed brands and also due to the decrease of unit selling price of proprietary brands; and net off with (ii) reversal of non-cash write-down of inventories and trade receivables, increase of rental income from the investment properties and the reduction in the selling and distribution expenses.

Turnover

	Six months ended 30 June				
	2019		2018		Change
		% of		% of	
	RMB'000	**turnover**	RMB'000	turnover	%
Proprietary brands — Menswear					
Self-operated stores	**80,141**	**77.8**	94,844	65.6	–15.5
Distributors	**11,843**	**11.5**	21,826	15.1	–45.7
	91,984	**89.3**	116,670	80.7	–21.2
Licensed brands	**11,012**	**10.7**	27,936	19.3	–60.6
	102,996		144,606		–28.8

The total turnover of the Group for the six months ended 30 June 2019 decreased by 28.8% to approximately RMB102,996,000 (six months ended 30 June 2018: RMB144,606,000). The decrease in turnover was mainly due to the decrease in sales of licensed brands as the Group has been refining the network of retail stores for the licensed brands and also due to the decrease of unit selling price of proprietary brands. The Group continued to close underperforming stores and offered more discounts to customers to boost the sales of the products, in particular the aged products, amidst the overall weak and sluggish retail market.

Turnover of the Group for the six months ended 30 June 2019 comprised sales from self- operated stores of about RMB80,141,000 (six months ended 30 June 2018: RMB94,844,000), sales to distributors of RMB11,843,000 (six months ended 30 June 2018: RMB21,826,000) and sales from the licensed brands business of RMB11,012,000 (six months ended 30 June 2018: RMB27,936,000).

The aggregate sales from self-operated stores for the six months ended 30 June 2019 decreased by 15.5% as compared to the same period of last year, and accounted for about 77.8% (six months ended 30 June 2018: 65.6%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the six months ended 30 June 2019 decreased by 45.7% as compared to the same period of last year and accounted for about 11.5% (six months ended 30 June 2018: 15.1%) of the total turnover.

Turnover *(continued)*

Turnover by Region

	Six months ended 30 June				
	2019		2018		Change
	RMB'000	**% of turnover**	RMB'000	% of turnover	%
Menswear					
Central China	**5,603**	**6.1**	6,819	5.8	-17.8
North Eastern China	**572**	**0.6**	3,012	2.6	-81.0
Eastern China	**4,456**	**4.8**	7,771	6.7	-42.7
North Western China	**17,162**	**18.7**	22,519	19.3	-23.8
Northern China	**11,061**	**12.0**	16,414	14.1	-32.6
South Western China	**16,547**	**18.0**	16,362	14.0	1.1
Southern China	**34,930**	**38.0**	41,578	35.6	-16.0
Hong Kong	**1,653**	**1.8**	2,195	1.9	-24.7
Total	**91,984**		116,670		-21.2

The sales in the North Western, Northern, Southern Western and Southern China for the six months ended 30 June 2019 accounted for 86.7% (six months ended 30 June 2018: 83.0%) of the total revenue generated by menswear, which was mainly attributable to the fact that ***V.E. DELURE*** retail stores were located in major cities such as Shanghai, Beijing and Guangzhou, where the targeted ***V.E. DELURE*** customers are relatively more affluent with strong purchasing power.

Turnover *(continued)*

Turnover by Product (self-operated stores only)

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Menswear		
Apparel[1]	**76,898**	91,268
Accessories[2]	**3,243**	3,576
	80,141	94,844

	Six months ended 30 June	
	2019	2018
	Unit sold (pcs)	Unit sold (pcs)
Sales Volume		
Menswear		
Apparel[1]	**98,711**	83,651
Accessories[2]	**13,122**	5,142

	Six months ended 30 June	
	2019	2018
	RMB	RMB
Average Selling Price		
Menswear		
Apparel[1]	**779**	1,091
Accessories[2]	**247**	695

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 decreased by 25.8% during the six months ended 30 June 2019 to approximately RMB48,016,000 (six months ended 30 June 2018: RMB64,734,000). During the period, the Group continued to outsource the production process of most of the apparel and accessories products. 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 RMB24,892,000 or 31.2%, from approximately RMB79,872,000 for the six months ended 30 June 2018 to approximately RMB54,980,000 for the same period of 2019.

During the six months ended 30 June 2019, due to the implementation of various measures to boost the sales of aged inventories and as a result of weak consumer sentiment, more discounts were granted to the customers, which resulted in a decrease of 1.8 percentage points in gross profit margin from 55.2% for the six months ended 30 June 2018 to 53.4% for the same period of 2019.

Other Income and Gains

During the six months ended 30 June 2019, other income and gains mainly consisted of foreign exchange gains of approximately RMB1,028,000 (six months ended 30 June 2018: RMB2,689,000), bank interest income of approximately RMB1,767,000 (six months ended 30 June 2018: RMB909,000) and rental income of approximately RMB6,003,000 (six months ended 30 June 2018: RMB1,585,000).

Selling and Distribution Expenses

For the six months ended 30 June 2019, selling and distribution expenses primarily represented concessionaire commission to shopping malls and department stores of approximately RMB30,179,000 (six months ended 30 June 2018: RMB35,595,000), advertising and promotion expenses of approximately RMB4,794,000 (six months ended 30 June 2018: RMB6,618,000), and staff costs of approximately RMB15,902,000 (six months ended 30 June 2018: RMB18,946,000). During the six months ended 30 June 2019, the total selling and distribution expenses represented about 69.8% (six months ended 30 June 2018: 62.2%) of the total turnover, representing a slight increase of 7.6 percentage points.

Administrative Expenses

For the six months ended 30 June 2019, administrative expenses decreased from RMB26,087,000 for the six months ended 30 June 2018 to RMB21,998,000, representing a decrease of RMB4,089,000 or 15.7% as compared to the same period of last year. The decrease in administrative expenses was mainly due to the decrease in staff costs and depreciation of buildings. During the six months ended 30 June 2019, administrative expenses accounted for 21.4% (six months ended 30 June 2018: 18.0%) of turnover.

Finance Costs

Finance costs for the six months ended 30 June 2019 mainly represented interest expenses on interest-bearing bank and other borrowings.

Effective Tax Rate

During the six months ended 30 June 2019, the effective tax rate of the Group amounted to -2.3% (six months ended 30 June 2018: 6.8%).

Loss Attributable to Ordinary Equity Holders of the Company

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB40,154,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: a loss attributable to ordinary equity holder of the Company of RMB51,433,000) and a net loss margin for the six month ended 30 June 2019 of 39.0% as compared to a net loss margin of 35.6% for the six month ended 30 June 2018. Basic and diluted loss per share of RMB4.2 cents was recorded for the six months ended 30 June 2019 (six months ended 30 June 2018: basic and diluted loss per share of RMB5.4 cents). The loss was mainly attributable to (i) the decrease in revenue in our licensed brands and also due to the decrease of unit selling price of proprietary brands; and net off with (ii) reversal of non-cash write-down of inventories and trade receivables, increase of rental income from the investment properties and the reduction in the selling and distribution expenses.

Business Review

Proprietary Brands

The Group currently operates two proprietary brands in the menswear market of China to cater 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 negative same store sales growth for the self-operated stores business of 13.4% for the first half of 2019.

Retail and Distribution Network

Number of stores of proprietary brands by region

	As at 30 June 2019	As at 31 December 2018
Central China	**12**	12
North Eastern China	**2**	3
Eastern China	**15**	14
North Western China	**13**	13
Northern China	**18**	20
South Western China	**18**	19
Southern China	**20**	21
Hong Kong	**1**	1
	99	103

In line with its previous years' business strategies, the Group continued to optimise the retail and sales network based on the demand from 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 directly contact and interact with target customers, so as to optimise its marketing efforts to customers and to directly instill in the customers the brand image and atmosphere that the Group intended to create and express. 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 fragmented menswear market in these cities with lower capital expenditure.

Business Review *(continued)*

Retail and Distribution Network *(continued)*

Number of stores of proprietary brands by region *(continued)*

In view of the challenging retail environment and weak consumer sentiment, the Group adopted a more prudent approach in business development and 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 30 June 2019, the Group had a total of 99 stores in 27 provinces and autonomous regions, covering 52 cities in China. There were 47 self-operated stores in 16 cities in China.

In addition, the total number of distributors of the Group amounted to 52, which operated franchised stores of ***V.E. DELURE*** in 36 cities.

Number of stores of proprietary brands by city tier

	As at 30 June 2019	As at 31 December 2018	Changes
Self-operated stores			
First-tier	**7**	7	–
Second-tier	**30**	33	-3
Third-tier	**9**	6	3
Fourth-tier	**1**	1	–
	47	47	–
Franchised stores			
First-tier	**–**	–	–
Second-tier	**14**	14	–
Third-tier	**31**	34	-3
Fourth-tier	**7**	8	-1
	52	56	-4
	99	103	-4

First-tier cities: Beijing, Shanghai, Guangzhou and 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

As at 30 June 2019, the number of menswear self-operated stores remain unchange at 47 as at 31 December 2018. Franchised stores operated by the distributors of the Group decreased from 56 as at 31 December 2018 to 52 as at 30 June 2019. As at 30 June 2019, the total area of self-operated stores was approximately 9,712 square meters (31 December 2018: 9,861 square meters), representing a decrease of 1.5% as compared to the total area of self-operated stores as at 31 December 2018.

Business Review *(continued)*

Licensed International Brands

The Group commenced the new business segment of high-end children's wear and accessories products in August 2014.

To cater to the consumer appetite and preference, especially those of the growing number of middle-class couples, the Group has invented and launched its new lifestyle concept store, ***Kissocool***. This new concept store served as a one-stop platform offering children's wear and accessories 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 3 ***Kissocool*** concept stores in the People's Republic of China (the "PRC") and Hong Kong as at the date of this report.

For the six months ended 30 June 2019, the Group's high-end children's wear and accessories product segment recorded a revenue of RMB11,012,000 (six month ended 30 June 2018: RMB16,425,000) and a net loss of RMB5,476,000 (six months ended 30 June 2018: net loss RMB13,996,000).

Sales Fair

V. E. DELURE 2019 Fall and Winter collections sales fair was held in February 2019. The total orders value from franchised stores operated by the distributors of the Group increased by 6% as compared to that of last year. Delivery of the orders commenced in July 2019.

V. E. DELURE 2020 Spring and Summer collections sales fair was held in July 2019. The total orders value from franchised stores operated by the distributors of the Group increased by 14% as compared to that of last year. Delivery of the orders will commence in December 2019.

Inventory Management

The Group has an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distribution network, without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store and distributor. Moreover, orders made by the distributors are distributed proportionally into the first batch of order placed at the sales fair and the supplemental order placed following the commencement of the season. The inventory turnover days of the Group increased from 379 days as at 31 December 2018 to 426 days as at 30 June 2019, representing a addition of 47 days. The increase in the inventory turnover days was mainly caused by the decline in the revenue from menswear business. The Group would enhance the inventory turnover gradually through various effective inventory management measures to boost the sales of aged inventory in such channels as outlets, temporary promotional sales fair and online business platform. The inventory balance increased from RMB112,474,000 as at 31 December 2018 to RMB113,789,000 as at 30 June 2019. The Group will continue to implement a series of measures to speed up the process to sell the aged inventories.

VE.DELURE Product Ordering Meeting Spring/ Summer 2020

VE.DELURE Product Ordering Meeting Fall/ Winter 2019

Business Review *(continued)*

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. Various types of marketing and promotional activities of the Group not only strengthen the brand recognition and value, but also advocates its brand theme.

In the first half of 2019, the total expenditure of the Group in advertising and promotional activities amounted to approximately RMB4,794,000 (six months ended 30 June 2018: RMB6,618,000), which accounted for approximately 4.7% (six months ended 30 June 2018: 4.6%) of the total turnover of the Group. The Group will strive to maintain the ratio within 5% whilst promoting the brands in an effective approach.

During the period, the Group organised regular advertising and promotional activities through various channels, such as advertisements in fashion magazines, promotional activities through the internet and other media, and large advertising billboard in airport and well-known department stores.

The Group treats its retail stores as one of the important channels to promote and enhance brand equity. During the period, the Group continued to upgrade store image, enhance the display area to further promote its high-end brand image in order to attract customers more effectively.

The Group continues to be the exclusive sponsor of the formal attire of the PRC national table tennis team and badminton team and the sponsorship arrangement will last till 2020.

Product Design and Development

Due to the factors such as accelerating urbanisation and the rise of the middle class, consumption demand in the PRC keeps rising, consumers pursue products with superior materials, suitable cutting and unique style. While there are abundant product choices to consumers, 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 period, the Group continued its commitment to innovative product designs 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 diversity product portfolio and increase product competitiveness. The Group has experienced innovative and independent design teams for ***V.E. DELURE***, which were led by experienced chief supervisors with extensive design experience in the industry.

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 its carrying value.

Inventory turnover days was 426 days as at 30 June 2019, representing an increase of 47 days as compared to 379 days as at 31 December 2018.

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 increased from 92 days as at 31 December 2018 to 95 days as at 30 June 2019.

Trade payables represented payables to suppliers and outsourced manufacturers. Trade payables turnover days increased from 61 days as at 31 December 2018 to 82 days as at 30 June 2019.

Use of Proceeds

The shares of the Company (the "Shares") 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 30 June 2019, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

Use of fund raised

	Percentage to total amount	Net proceeds RMB' million	Utilised amount (as at 30 June 2019) RMB' million	Unutilised amount (as at 30 June 2019) 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	6.4	44.5
General working capital	8%	81.4	81.4	–
	100%	1,017.4	723.0	294.4

Liquidity and Financial Resources

As at 30 June 2019, the Group had cash and cash equivalents of RMB84,196,000 (31 December 2018: RMB458,681,000). As at 30 June 2019, the balance of aggregate principal of unlisted corporate bonds issued by the Company amounted to HK$171,400,000 (equivalent to approximately RMB150,780,000) which will mature on the date immediately following 12 months to 96 months after the first issue date unless early redemption requested by the Company. The bonds bear coupon rate ranging from 4.00% to 6.75%per annum, payable semi-annually in arrears. As at 30 June 2019, the interest-bearing bank and other borrowings amounted to RMB274,296,000 (31 December 2018: RMB236,843,000), which were denominated in RMB and Hong Kong dollars, with maturity from one year to seven years or on demand and bore effective interest rate ranging from 2.5% to 12.85% per annum (31 December 2018: 3.34% 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, amount due to the ultimate holding company, other payables and accruals less cash and cash equivalents. Capital represents equity attributable to ordinary equity holders of the Company. The gearing ratio as at 30 June 2019 is 30.9%.

Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities.

Pledge of Assets

As at 30 June 2019, certain buildings and investment properties, which had aggregate carrying value of approximately RMB81,752,000 and RMB329,854,000, respectively (31 December 2018: investment properties of RMB329,854,000) 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 Hong Kong dollars and Renminbi. The reporting currency of the Group is Renminbi. Nevertheless, the Group purchases some raw materials and outsourced products in Euros and depreciation of Renminbi against these foreign currencies may increase the cost of sales of the Group.

The Group has not entered into any foreign exchange contracts to hedge against the fluctuations in exchange rate between Renminbi and Hong Kong dollars. However, the Group monitors foreign exchange exposure regularly and considers 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 shares awards will 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.

During the period, the Group continued to organise various staff leisure, welfare and charity activities so as to help the staff maintain work-life balance and enhance a sense of belongings within the Group.

As at 30 June 2019, the total number of full-time employees of the Group was 358. The total staff costs for the six months ended 30 June 2019 amounted to approximately RMB24,784,000 (six months ended 30 June 2018: RMB29,201,000).

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.

Prospects

In view of the persistent economic restructuring and reform in China, the outlook of retail sector in the second half of 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 15 self-operated stores and 16 franchised stores for menswear business in the second half of 2019. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the operational efficiency. 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 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 the 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 report, the Group has 3 ***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 mall operators in Mainland China and extends its retail network in Mainland China in the near future.

The Group will continue to reasonably and prudently use resources to explore business opportunities and market potentials in the retail sector in order to foster new opportunities for the profit growth in the long run.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2019, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Long/ Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming	Long position	Founder of a discretionary trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 2)*	30,200,773	3.18%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Yunan	Long position	Beneficiary of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Minwen	Long position	Beneficiary of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Cheng King Hoi, Andrew	Long position	Beneficial owner *(Note 4)*	900,000	0.09%
Fong Wo, Felix	Long position	Beneficial owner *(Note 4)*	900,000	0.09%

Notes:

1. The 483,934,814 Shares were held by Pacific Success Holdings Limited ("Pacific Success"), a company wholly-owned by Evisu (PTC) Limited ("Evisu"). Evisu is the trustee of a discretionary trust of which Mr. Chan Yuk Ming was the founder and each of Mr. Chen Yunan and Mr. Chen Minwen was a beneficiary. Each of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was deemed to be interested in such Shares held by Pacific Success under the SFO.

2. These 30,200,773 Shares were held directly by Mr. Chan Yuk Ming.

3. Each of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was interested in 3,000,000 underlying Shares in respect of share options granted under the new share option scheme adopted on 6 January 2014 (the "New Share Option Scheme").

4. Each of Mr. Cheng King Hoi, Andrew and Mr. Fong Wo, Felix was interested in 900,000 underlying Shares under the New Share Option Scheme in respect of share options granted.

Save as disclosed above, as at 30 June 2019, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its Associated Corporations that would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The share option scheme of the Company (the "Share Option Scheme") was adopted pursuant to the resolutions of all the shareholders passed on 8 October 2010 (the "Adoption Date") and shall be valid and effective for a period of 10 years commencing on the Adoption Date. The Share Option Scheme was terminated and the New Share Option Scheme was adopted pursuant to resolutions passed by the shareholders at the extraordinary general meeting held on 6 January 2014 ("New Adoption Date"). Since the adoption of the Share Option Scheme on 8 October 2010 until its termination, no options have been granted under the Share Option Scheme. A summary of the New Share Option Scheme is set out below:

(a) Purpose

To attract, retain and motivate talented personnel to strive for future developments and expansion of the Group, and to provide the Company with a flexible means of giving incentive to, remunerating, compensating and/or providing benefits to them.

(b) Participants

Any director (whether executive, non-executive or independent non-executive director) and any full-time or part-time (with weekly working hours of 10 hours or above) employees of the Group and any advisor, consultant, providers of goods and/or services of any members of the Group and any other persons that the Board considers, at its absolute discretion, to have contributed to the Group.

(c) Total number of Shares available for issue

The total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any schemes of the Group shall not in aggregate exceed 10% of Shares in issue as at the New Adoption Date (the "Limit"), unless the Company obtains an approval from its shareholders and must not exceed 30% of the Shares in issue from time to time. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Limit. As at the date of this report, the total number of Shares available for issue under the New Share Option Scheme was 94,882,576 Shares, representing approximately 10% of the total issued share capital of the Company as at the date of this report.

(d) Maximum entitlement of each participant

The maximum number of Shares in respect of which options (including both exercised and outstanding options) may be granted under the New Share Option Scheme to each grantee in any period of 12 consecutive months up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant, unless an approval of its shareholders is obtained.

(e) Option period

The period within which the Shares must be taken up under an option shall be determined by the Board at its absolute discretion and in any event, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the New Share Option Scheme.

(f) Minimum period for which an option must be held before it can be exercised

Unless otherwise determined by the Board and specified in the offer letter, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the grantee before the options can be exercised.

(g) Consideration on acceptance of the option

The amount payable on application or acceptance of the option shall be HK$1.00 and shall be paid by grantee within a period of 28 days from the date of offer or such other period as the Board may specify.

Share Option Scheme *(continued)*

(h) Basis of determining the subscription price

The subscription price shall be determined by the Board in its absolute discretion, save that such price shall not be less than the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and

(iii) the nominal value of the Shares.

(i) Remaining life of the New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the New Adoption Date up to 5 January 2024.

Particulars and movements of share options granted under the New Share Option Scheme during the six months ended 30 June 2019 were as follows:

				Number of share options					
Name or Category of Grantees	Date of grant	Exercise price per Share (HK$)	Exercise period	Outstanding as at 1 January 2019	Granted during the six months ended 30 June 2019	Exercised during the six months ended 30 June 2019	Lapsed/ forfeited during the six months ended 30 June 2019	Outstanding as at 30 June 2019	Closing price of the Shares immediately before the grant date (HK$ per Share)
Executive Directors:									
Chan Yuk Ming	23/01/2015	0.78	30/04/2016–30/04/2021	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2017–30/04/2022	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	1,000,000	–	–	–	1,000,000	0.78
Chen Yunan	23/01/2015	0.78	30/04/2016–30/04/2021	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2017–30/04/2022	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	1,000,000	–	–	–	1,000,000	0.78
Chen Minwen	23/01/2015	0.78	30/04/2016–30/04/2021	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2017–30/04/2022	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	1,000,000	–	–	–	1,000,000	0.78

Share Option Scheme *(continued)*

Name or Category of Grantees	Date of grant	Exercise price per Share (HK$)	Exercise period	Number of share options: Outstanding as at 1 January 2019	Granted during the six months ended 30 June 2019	Exercised during the six months ended 30 June 2019	Lapsed/ forfeited during the six months ended 30 June 2019	Outstanding as at 30 June 2019	Closing price of the Shares immediately before the grant date (HK$ per Share)
Independent non-executive Directors:									
Cheng King Hoi, Andrew	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	–	–	–	900,000	0.78
Fong Wo, Felix	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	–	–	–	900,000	0.78
Subtotal				10,800,000	–	–	–	10,800,000	
Employees (in aggregate)	23/01/2015	0.78	30/04/2016–30/04/2021	4,450,000	–	–	–	4,450,000	0.78
			30/04/2017–30/04/2022	3,600,000	–	–	–	3,600,000	0.78
			30/04/2018–30/04/2023	2,800,000	–	–	–	2,800,000	0.78
Subtotal				10,850,000	–	–	–	10,850,000	
Other Grantees	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	–	–	–	900,000	0.78
Total				22,550,000	–	–	–	22,550,000	

The vesting period of the share options is from the date of grant until the commencement of the exercise period of five years. The share options granted to the executive Directors and the employees shall vest on 30 April 2016, 2017 and 2018 subject to the fulfillment of the performance targets that a 15% increase in net profit for the financial years ended 31 December 2015, 2016 and 2017, respectively, when compared to their immediate preceding financial year excluding all exceptional items in the consolidated statement of profit or loss. If the target net profit cannot be achieved in a particular financial year, only 50% of the share options granted to the executive Directors and the employees shall be vested, the remaining 50% of the options granted to them for that particular year shall lapse automatically.

The share options granted to the independent non-executive Directors were vested on 30 April 2015.

Share Award Plan

The share award plan (the "Share Award Plan") was adopted by the Board on 27 August 2013 (the "Effective Date"). Under the Share Award Plan, the Share Award Plan Committee may, at any time and at its discretion, make an award to any eligible person ("Selected Person") and determine the number of Shares to be awarded to him on such terms and subject to such vesting conditions, if any, as the Share Award Plan Committee thinks fit. Since the Effective Date and up to 30 June 2019, a total of 10,250,000 share awards had been granted under the Share Award Plan, representing approximately 1% of the Shares in issue as at 30 June 2019.

A summary of the Share Award Plan is set out below:

(a) Purpose

To recognise and reward contributions made by, and to encourage and incentivise sustained contribution of, the Selected Person to the growth and long term development of the Group.

(b) Duration

The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

(c) Maximum limit

In any given financial year, the maximum number of Shares to be purchased by the Trustee (as defined below) for the purpose of the Share Award Plan shall not exceed 5% of the total number of issued Shares as at the beginning of such financial year. The total number of Shares purchased for the award(s) made to each Selected Person in any 12-month period up to and including the date on which the award is made to a Selected Person (the "Award Date") shall not exceed 1% of the Shares in issue as at the Award Date.

(d) Operation

The Share Award Plan Committee (or any Director so authorised by the Share Award Plan Committee) may from time to time instruct SMP Trustees (Hong Kong) Limited (the "Trustee") to purchase Shares on the Stock Exchange at such prices as the Share Award Plan Committee (or any Director so authorised by the Share Award Plan Committee) considers appropriate subject to the terms and conditions of the Share Award Plan, and such Shares shall be held by the Trustee for the purposes of satisfying any future award(s) to be made by the Share Award Plan Committee.

On 30 April 2016, 3,620,000 Shares awards were vested. As at 30 June 2019, there was no outstanding share award under the Share Award Plan.

OTHER
INFORMATION

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2019, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of substantial shareholder	Long/ Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming	Long position	Founder of a discretionary trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 2)*	30,200,773	3.18%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Yunan	Long position	Beneficiary of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Minwen	Long position	Beneficiary of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Mianna	Long position	Beneficial owner *(Note 4)*	45,543,636	4.80%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Evisu	Long position	Trustee of a trust *(Note 1)*	483,934,814	51.00%
Pacific Success	Long position	Beneficial owner *(Note 1)*	483,934,814	51.00%

Notes:

1. The 483,934,814 Shares were held by Pacific Success, a company wholly-owned by Evisu. Evisu is the trustee of a discretionary trust of which Mr. Chan Yuk Ming was the founder and each of Mr. Chen Yunan and Mr. Chen Minwen was a beneficiary. Each of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was deemed to be interested in such Shares held by Pacific Success under the SFO.

2. These 30,200,773 Shares were held directly by Mr. Chan Yuk Ming.

3. Each of Mr. Chan Yuk Ming, Mr. Chen Yunan, Mr. Chen Minwen and Ms. Chen Mianna was interested in 3,000,000 underlying Shares in respect of share options granted under the New Share Option Scheme.

4. These 45,543,636 Shares were held directly by Ms. Chen Mianna.

Save as disclosed above, as at 30 June 2019, the Company has not been notified by any person (other than the Directors or Chief Executives) who had interests or short positions in the Shares or underlying Shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Interim Dividend

No interim dividend was proposed by the Board for the six months ended 30 June 2019.

OTHER **INFORMATION**

Purchase, Sale or Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

Corporate Governance

In the opinion of the Directors, during the six months ended 30 June 2019, the Company has complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions

The Company has adopted 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 has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2019.

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 six months ended 30 June 2019.

Review of Interim Results

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 risk management 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 interim report of the Group for the six months ended 30 June 2019 have been reviewed by the Audit Committee.

Forward Looking Statements

This report 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.

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

Hong Kong
29 August 2019

UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	 2018 RMB'000 (Unaudited)
REVENUE	4	**102,996**	144,606
Cost of sales		**(48,016)**	(64,734)
Gross profit		**54,980**	79,872
Other income and gains	5	**9,263**	6,127
Selling and distribution expenses		**(71,879)**	(89,962)
Administrative expenses		**(21,998)**	(26,087)
Other expenses		**2,218**	(13,056)
Finance costs	7	**(11,830)**	(12,109)
LOSS BEFORE TAX	6	**(39,246)**	(55,215)
Income tax (expense)/credit	8	**(908)**	3,782
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**(40,154)**	(51,433)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	**RMB(4.2) cents**	RMB(5.4) cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**(40,154)**	(51,433)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of operations outside Mainland China	**(2,282)**	(5,216)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(2,282)**	(5,216)
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	**1,147**	639
Income tax effect	**(287)**	–
	860	639
Gains on property revaluation	**–**	77,626
Income tax effect	**–**	(19,406)
	–	58,220
Net other comprehensive income that will not to be reclassified to profit or loss in subsequent periods	**860**	58,859
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(1,422)**	53,643
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(41,576)**	2,210

UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**101,788**	106,434
Investment properties	12	**329,854**	329,854
Right-of-use assets		**110,361**	–
Prepaid land lease payment		**–**	44,162
Other intangible asset		**4,047**	4,031
Long term lease prepayment		**–**	61,016
Equity investments designated at fair value through other comprehensive income	13	**–**	27,830
Financial asset at fair value through profit or loss	14	**–**	–
Total non-current assets		**546,050**	573,327
CURRENT ASSETS			
Equity investments designated at fair value through other comprehensive income	13	**28,977**	–
Inventories	15	**113,789**	112,474
Trade receivables	16	**45,110**	63,342
Prepayments, other receivables and other assets	17	**32,699**	27,163
Time deposits		**350,000**	–
Cash and cash equivalents	18	**84,196**	458,681
Total current assets		**654,771**	661,660
CURRENT LIABILITIES			
Trade payables	19	**16,707**	26,768
Other payables and accruals	20	**52,064**	63,764
Interest-bearing bank and other borrowings	21	**165,958**	119,018
Amount due to the ultimate holding company		**78,017**	87,472
Tax payable		**2,096**	1,799
Total current liabilities		**314,842**	298,821
NET CURRENT ASSETS		**339,929**	362,839
TOTAL ASSETS LESS CURRENT LIABILITIES		**885,979**	936,166
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	21	**108,338**	117,825
Deferred tax liabilities		**24,481**	23,605
Total non-current liabilities		**132,819**	141,430
Net assets		**753,160**	794,736
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital	22	**829**	829
Reserves		**752,331**	793,907
Total equity		**753,160**	794,736

UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to ordinary equity holders of the Company													
	Share capital RMB'000 (note 22)	Share premium account RMB'000	Shares held for the Share Award Plan RMB'000	Acquisition reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Capital redemption reserve RMB'000	Assets Revaluation surplus RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2019 (audited)	829	519,800	(26)	2,639	1,072	79,791	28	56,961	1,273	(54,825)	5,582	(3,097)	184,709	794,736
Loss for the period	–	–	–	–	–	–	–	–	–	–	–	–	(40,154)	(40,154)
Other comprehensive income/(loss) for the period:														
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	–	860	–	–	–	–	860
Exchange differences on translation of operations outside Mainland China	–	–	–	–	–	–	–	–	–	(2,282)	–	–	–	(2,282)
Total comprehensive loss for the period	–	–	–	–	–	–	–	–	860	(2,282)	–	–	(40,154)	(41,576)
At 30 June 2019 (unaudited)	829	519,800*	(26)*	2,639*	1,072*	79,791*	28*	56,961*	2,133*	(57,107)*	5,582*	(3,097)*	144,555*	753,160

* These reserve accounts comprise the consolidated reserves of RMB752,331,000 (31 December 2018: RMB793,907,000) in the interim condensed consolidated statement of financial position.

		Attributable to ordinary equity holders of the Company													
	Note	Share capital RMB'000 (note 22)	Share premium account RMB'000	Shares held for the Share Award Plan RMB'000	Acquisition reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Capital redemption reserve RMB'000	Assets Revaluation surplus RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018 (audited)		829	519,800	(26)	2,639	1,072	79,791	28	–	–	(32,865)	5,394	(3,097)	296,520	870,085
Loss for the period		–	–	–	–	–	–	–	–	–	–	–	–	(51,433)	(51,433)
Other comprehensive income/(loss) for the period:															
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	–	639	–	–	–	–	639
Revaluation of investment properties, net of tax		–	–	–	–	–	–	–	58,220	–	–	–	–	–	58,220
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	–	–	(5,216)	–	–	–	(5,216)
Total comprehensive income for the period		–	–	–	–	–	–	–	58,220	639	(5,216)	–	–	(51,433)	2,210
Equity-settled share option scheme	23	–	–	–	–	–	–	–	–	–	–	181	–	–	181
At 30 June 2018 (unaudited)		829	519,800	(26)	2,639	1,072	79,791	28	58,220	639	(38,081)	5,575	(3,097)	245,087	872,476

UNAUDITED INTERIM CONDENSED CONSOLIDATED **STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(39,246)**	(55,215)
Adjustments for:			
Finance costs	*7*	**11,830**	12,109
Foreign exchange gain		**(1,249)**	(2,986)
Bank interest income	*5*	**(1,767)**	(909)
Gain on disposal of items of property, plant and equipment	*5*	**(66)**	–
(Reversal of impairment of)/impairment of trade receivables	*6*	**(1,856)**	774
Impairment of other receivables	*6*	**61**	1,654
(Reversal of provision for write-down of)/write-down of inventories to net realisable value	*6*	**(4,889)**	10,371
Depreciation of property, plant and equipment	*6*	**5,447**	9,275
Depreciation of right-of-use assets/recognition of prepaid land lease payments and amortisation of a long term lease prepayment	*6*	**4,260**	1,272
Impairment of right-of-use assets	*6*	**3,617**	–
Equity-settled share option expense	*6*	**–**	181
		(23,858)	(23,474)
Decrease in inventories		**3,320**	20,062
Decrease in trade receivables		**20,054**	28,228
Increase in prepayments, other receivables and other assets		**(5,633)**	(457)
Decrease in trade payables		**(10,097)**	(3,738)
(Decrease)/increase in other payables and accruals		**(10,010)**	2,337
Cash (used in)/generated from operations		**(26,224)**	22,958
Interest received		**704**	909
Interest element of lease payments		**(457)**	(6)
Mainland China corporate income tax paid		**(22)**	(1,037)
Hong Kong profits tax paid		**–**	(10)
Net cash flows (used in)/from operating activities		**(25,999)**	22,814

UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	 2018 RMB'000 (Unaudited)
Net cash flows (used in)/from operating activities		**(25,999)**	22,814
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(828)**	(4,182)
Proceeds from disposal of items of property, plant and equipment		**911**	–
Return of an equity investment at fair value through other comprehensive income		**–**	10,666
Increase in time deposits		**(350,000)**	–
Net cash flows (used in)/from investing activities		**(349,917)**	6,484
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**170,000**	114,000
Repayment of bank loans		**(125,584)**	(82,046)
Payment for the transaction costs of corporate bonds		**(2,334)**	–
Repayment of corporate bonds	*21*	**(19,454)**	(1,626)
(Decrease)/increase in an amount due to the ultimate holding company		**(9,455)**	8,458
Principal portion of lease payments/finance lease rental payments		**(2,670)**	(58)
Interest paid		**(9,387)**	(15,944)
Net cash flows from financing activities		**1,116**	22,784
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(374,800)**	52,082
Cash and cash equivalents at beginning of the period		**458,681**	434,403
Effect of foreign exchange rate changes, net		**315**	(464)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**84,196**	486,021
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*18*	**84,196**	486,021
Cash and cash equivalents as stated in the unaudited interim condensed consolidated statement of financial position and consolidated statement of cash flows		**84,196**	486,021

1. Corporate Information

Evergreen International Holdings Limited was incorporated in the Cayman Islands on 26 June 2008 as an exempted company with limited liability under the Companies Law 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 period, the Group were principally engaged in the manufacture and trading of clothing and clothing accessories in the PRC.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Pacific Success, which was incorporated in the British Virgin Islands (the "BVI").

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018. The unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs", which also include International Accounting Standards ("IASs") and interpretations) effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to *IFRS 3, IFRS 11, IAS 12 and IAS 23*

2. Basis of Preparation and Changes in Accounting Policies and Disclosures *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's unaudited interim condensed consolidated financial statements. The nature and impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16

IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of building, leasehold land, motor vehicles and logo display right. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

(a) ***Adoption of IFRS 16*** *(continued)*

As a lessee — Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB250,000 that were reclassified from property, plant and equipment, lease assets of RMB45,124,000 that were reclassified from prepaid land lease payments and prepayments, other receivables and other assets and lease assets of RMB61,016,000 that were reclassified from long term lease prepayment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/ terminate the lease

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB'000 (Unaudited)
Assets	
Increase in right-of-use assets	118,244
Decrease in property, plant and equipment	(250)
Decrease in prepaid land lease payments	(44,162)
Decrease in prepayments, other receivables and other assets	(962)
Decrease in long term lease prepayment	(61,016)
Increase in total assets	11,854
Liabilities	
Increase in interest-bearing bank and other borrowing — lease liabilities	11,854
Increase in total liabilities	11,854

2. Basis of Preparation and Changes in Accounting Policies and Disclosures *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

(a) Adoption of IFRS 16 *(continued)*

As a lessee — Leases previously classified as operating leases (continued)

Impact on transition (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	8,530
Weighted average incremental borrowing rate as at 1 January 2019	7.7%
Discounted operating lease commitments as at 1 January 2019	7,919
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(1,138)
Add: Commitments relating to leases previously classified as finance leases	248
Commitments with variable term previously not regarded as operating lease commitments	5,073
Lease liabilities as at 1 January 2019	12,102

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

(a) Adoption of IFRS 16 *(continued)*

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the unaudited interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank and other borrowings'), and the movement during the period are as follow:

	Right-of-use assets					
	Motor vehicles RMB'000	Retail units, warehouses and offices RMB'000	Leasehold land RMB'000	Logo display right RMB'000	Total RMB'000	Lease liabilities RMB'000
As at 1 January 2019 (unaudited)	250	11,854	45,124	61,016	118,244	12,102
Depreciation charge	(193)	(2,795)	(481)	(791)	(4,260)	–
Interest expense	–	–	–	–	–	457
Impairment	–	(3,617)	–	–	(3,617)	–
Payments	–	–	–	–	–	(3,127)
Exchange realignment	(2)	(4)	–	–	(6)	(2)
As at 30 June 2019 (unaudited)	55	5,438	44,643	60,225	110,361	9,430

The Group recognised rental expenses from short-term leases of RMB33,240,000 and variable lease payments not based on index or rate of RMB173,000 for six months ended 30 June 2019.

(b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered the interpretation did not have any significant impact on the Group's unaudited interim condensed consolidated financial statements.

3. Operating Segment Information

The Group is principally engaged in the manufacture 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 majority of the Group's revenue is derived from customers based in the PRC and majority 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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of clothing and clothing accessories	**102,996**	144,606

5. Other Income and Gains

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Foreign exchange gains, net	**1,028**	2,689
Rental income	**6,003**	1,585
Bank interest income	**1,767**	909
Gain on disposal of items of property, plant and equipment	**66**	–
Others	**399**	944
	9,263	6,127

6. Loss Before Tax

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

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Cost of inventories sold		**48,016**	64,734
Depreciation of property, plant and equipment	*11*	**5,447**	9,275
Depreciation of right-of-use assets		**4,260**	–
Recognition of prepaid land lease payment		**–**	481
Amortisation of long term lease prepayment		**–**	791
Operating lease rental expense:			
Minimum lease payments		**6,507**	9,010
Contingent rents		**30,179**	35,595
		36,686	44,605
Employee benefit expense:			
Wages and salaries		**18,229**	26,407
Pension scheme contributions		**2,149**	2,613
Equity-settled share option expense	*23*	**–**	181
		20,378	29,201
(Reversal of provision for write-down of)/write-down of inventories to net realisable value*		**(4,889)**	10,371
Impairment of right-of-use assets*		**3,617**	–
Foreign exchange differences, net**		**(1,028)**	(2,689)
(Reversal of impairment)/impairment of trade receivables*		**(1,856)**	774
Impairment of other receivables*		**61**	1,654

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

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

7. Finance Costs

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
Interest-bearing bank and other borrowings	**11,830**	12,109

8. Income Tax

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Charge for the period		
Mainland China	**319**	–
Hong Kong	**–**	10
Deferred	**589**	(3,792)
Total tax expense/(credit) for the period	**908**	(3,782)

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 operated.

No profits tax has been provided for profits derived from the Cayman Islands and the BVI in both the six months ended 30 June 2019 and 2018 since the applicable profits tax rate was zero.

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% on the taxable profits for the six months ended 30 June 2019, based on the existing legislation, interpretations and practices in respect thereof. No provision for Mainland China profits tax has been made as the Group had no assessable profits arising in Mainland China during the six months ended 30 June 2018.

No Hong Kong profits tax has been provided for the six months ended 30 June 2019 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 six months ended 30 June 2018.

No deferred tax provision has been made in respect of withholding tax calculated on the distributable profit of the Group's subsidiaries in Mainland China during the six months ended 30 June 2019 (the six months ended 30 June 2018: Nil).

9. Loss Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average numbers of ordinary shares in issue of 948,799,763 (six months ended 30 June 2018: 948,799,763) during the six months ended 30 June 2019, which reflects the shares held for the Share Award Plan of the Company during the period.

The calculation of the diluted loss per share amounts is based on the loss for the period 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 period, 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 amounts presented for the six months ended 30 June 2019 and 2018 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation	**40,154**	51,433

	Number of shares Six months ended 30 June	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue	**948,825,763**	948,825,763
Weighted average number of 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. Dividend

No interim dividend was proposed for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. Property, Plant and Equipment

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Balance at beginning of year/period	106,434	354,943
Transfer to right-of-use assets on adoption of IFRS 16	(250)	–
Adjusted balance at beginning of year/period	106,184	354,943
Additions	1,900	6,070
Disposals	(845)	–
Transfer to investment properties *(note 12)*	–	(240,767)
Depreciation	(5,447)	(13,840)
Exchange realignment	(4)	28
Balance at end of year/period	101,788	106,434

At 30 June 2019, certain buildings with a net carrying amount of approximately RMB81,752,000 (31 December 2018: Nil) were pledged to secure banking facilities granted to the Group (note 21).

12. Investment Properties

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Carrying amount at beginning of year/period	329,854	–
Transfer from owner-occupied properties *(note 11)*	–	240,767
Revaluation surplus related with the transfer from owner-occupied properties	–	75,948
Net gain from a fair value adjustment	–	13,139
Balance at end of year/period	329,854	329,854

The Group's investment properties consist of eight commercial properties in Mainland China. The Directors have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property.

As at 31 December 2018, the fair value of the Group's investment properties was determined by the Directors based on the valuation report prepared by Guangdong Jingxin Real Estate and Land Evaluation Co., Ltd. (廣東京信房地產土地資產評估有限公司) ("Jingxin"), independent professionally qualified valuer, at RMB329,854,000.

As at 30 June 2019, the fair value of the Group's investment properties was determined by the Directors at RMB329,854,000.

The Group's property manager and the chief financial officer decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

12. Investment Properties *(continued)*

The investment properties are leased to third parties under operating leases.

At 30 June 2019, the Group's investment properties with a carrying value of RMB329,854,000 (31 December 2018: RMB329,854,000) were pledged to secure general banking facilities granted to the Group (note 21).

Further particulars of the Group's investment properties are included in page 52.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 30 June 2019 using significant observable inputs (Level 2) RMB'000 (Unaudited)	Fair value measurement as at 31 December 2018 using significant observable inputs (Level 2) RMB'000 (Audited)
Recurring fair value for measurement for:		
Commercial properties	**329,854**	329,854

During the period, there were no transfers of fair value measurements of the investment properties between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

13. Equity Investments Designated at Fair Value Through Other Comprehensive Income

	Notes	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Unlisted equity investments, at fair value:			
PRC investment 1	*(a)*	**28,977**	27,830
PRC investment 2	*(b)*	**–**	–
		28,977	27,830

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

Notes:

(a) The investment represented an unlisted equity investment through which the Group subscribed a 16% equity interest in an investment fund in the PRC.

(b) The investment represented an unlisted equity investment through which the Group subscribed a 9.125% equity interest in an unlisted company in the PRC.

14. Financial Assets at Fair Value Through Profit or Loss

In 2014, the Group subscribed as a cornerstone investor for 29,400,000 ordinary shares of Fujian Nuoqi Co., Ltd. ("Nuoqi"), a listed company in Hong Kong, at a cash consideration of RMB50,502,000. Market price of Nuoqi's shares declined significantly after its shares debuted on 9 January 2014 and the trading of Nuoqi's shares has been suspended since 23 July 2014. The Directors considered that the significant and prolonged decline in the market value of Nuoqi's shares indicated that the investment has been fully impaired as at 31 December 2014. Trading of Nuoqi's shares continued to be suspended during the six months ended 30 June 2019.

The above equity investment was classified as a financial asset at fair value through profit or loss as it was held for trading.

15. Inventories

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Raw materials	**3,726**	3,463
Work in progress	**4,620**	3,714
Finished goods	**105,443**	105,297
	113,789	112,474

16. Trade Receivables

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	**54,967**	75,055
Impairment allowance	**(9,857)**	(11,713)
	45,110	63,342

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 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.

16. Trade Receivables *(continued)*

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:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 1 month	**22,640**	36,239
1 to 3 months	**4,150**	9,926
3 to 6 months	**9,928**	4,216
6 months to 1 year	**7,854**	11,808
Over 1 year	**538**	1,153
	45,110	63,342

17. Prepayments, Other Receivables and Other Assets

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Deposits and other receivables	**21,368**	22,310
Prepayments	**14,236**	6,484
Right-of-return assets	**252**	503
Current portion of prepaid land lease payment	**–**	962
	35,856	30,259
Impairment allowance	**(3,157)**	(3,096)
	32,699	27,163

The above balances are unsecured, interest-free and have no fixed terms of repayment.

18. Cash and Cash Equivalents

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Cash at banks and in hand	**84,196**	458,681

19. 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:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within 1 month	**2,208**	2,025
1 to 3 months	**2,360**	8,663
3 to 6 months	**4,458**	9,314
6 months to 1 year	**5,434**	1,523
Over 1 year	**2,247**	5,243
	16,707	26,768

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.

20. Other Payables and Accruals

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contract liabilities — sales of goods	**21,323**	22,247
Other payables	**22,369**	35,444
Advance rental from lessees	**4,498**	1,976
Deferred revenue	**1,680**	1,680
Accruals	**1,863**	2,040
Refund liabilities	**331**	377
	52,064	63,764

Other payables are non-interest-bearing and settled on demand.

21. Interest-Bearing Bank and Other Borrowings

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current		
Bank loans — secured, on demand	**11,640**	34,920
Bank loans — secured, within one year	**120,000**	50,000
Bank loans — unsecured, on demand	**4,398**	6,685
Lease liabilities	**5,823**	124
Corporate bonds *(note d)*	**24,097**	27,289
	165,958	119,018
Non-current		
Lease liabilities	**3,607**	124
Corporate bonds *(note d)*	**104,731**	117,701
	108,338	117,825
	274,296	236,843

Notes:

(a) At 30 June 2019, certain buildings with a net carrying amount of approximately RMB81,752,000 (31 December 2018: Nil) were pledged to secure banking facilities granted to the Group.

(b) At 30 June 2019, the Group's investment properties with a carrying value of RMB329,854,000 (31 December 2018: 329,854,000) were pledged to secure general banking facilities granted to the Group.

(c) As at 30 June 2019, the Group's bank and other borrowings were denominated in Hong Kong dollars and Renminbi. Except for the corporate bonds disclosed below, the Group's bank and other borrowings bore interest at a rate ranging from 3.34% to 8.58% per annum. (31 December 2018: from 2.50% to 6.09% per annum).

(d) **Corporate bonds**
The unlisted corporate bonds were issued in Hong Kong which will mature on the date immediately following 12 months to 96 months after the first issue date unless earlier redemption requested by the Company. The bonds bear coupon rate ranging from 4.00% to 6.75% per annum, payable semi-annually in arrears.

The unlisted corporate bonds recognised in the unaudited interim condensed consolidated financial statements are calculated as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Opening balance	**144,990**	139,744
Interest charged	**7,526**	16,437
Interest payable included in other payables and accruals	**(4,527)**	(10,022)
Repayment	**(19,454)**	(7,852)
Exchange realignment	**293**	6,683
Closing balance	**128,828**	144,990
Portion classified as current liabilities	**24,097**	27,289
Non-current portion	**104,731**	117,701

The effective interest rates on the Group's corporate bonds range from 10.69% to 12.85% per annum.

22. Share Capital

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Issued and fully paid:		
948,825,763 (31 December 2018: 948,825,763) ordinary shares of HK$0.001 each	**829**	829

23. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee, management member or director of the Company, or any other eligible participants upon the terms set out in the Scheme. The Scheme was adopted pursuant to the resolutions of all the shareholders passed on 8 October 2010 (the "Adoption Date") and shall be valid and effective for a period of 10 years commencing on the Adoption Date. Since Adoption Date, no options have been granted pursuant to the Scheme.

At the extraordinary general meeting held on 6 January 2014 (the "New Adoption Date"), the Scheme was terminated and a new share option scheme (the "New Share Option Scheme") was adopted and approved by the shareholders of the Company. The New Share Option Scheme shall be valid and effective for a period of 10 years commencing from the New Adoption Date up to 5 January 2024.

The Board may, at its absolute discretion, grant options to any full-time or part-time (with weekly working hours of 10 hours or above) employees of any member of the Group, any advisor or consultant, any providers of goods and/or services to the Group, director (whether executive, non-executive or independent non-executive director) of any member of the Group and any other persons that the board of directors may think fit upon the terms set out in the New Share Option Scheme. The purpose of the New Share Option Scheme is to attract, retain and motivate talented personnel to strive for future developments and expansion of the Group, and to provide the Company with a flexible means of giving incentive to, remunerating, compensating and/or providing benefits to them.

The total number of the shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue as at the New Adoption Date (i.e. 94,882,576 shares), unless the Company obtains an approval from its shareholders and must not exceed 30% of the total number of shares in issue from time to time. The maximum number of shares issued and to be issued upon exercise of the share options granted to any eligible participant in the New Share Option Scheme in any period of 12 consecutive months shall not exceed 1% of the shares of the Company in issue from time to time, unless an approval of its shareholders in obtained.

23. Share Option Scheme *(continued)*

On 23 January 2015, the Company granted share options to certain key management personnel and employees under the New Share Option Scheme adopted on 6 January 2014. The principal terms of the grant of share options under the New Share Option Scheme are as follows:

(a) the options shall entitle the grantees to subscribe for new shares upon the exercise of the options at an exercise price of HK$0.78 per Share;

(b) among the options granted, a total of 2,700,000 options were granted to the independent non-executive directors of the Company which vested on 30 April 2015, one of which has been retired on 7 June 2016;

(c) the options granted to the executive Directors and the employees shall vest on 30 April 2016, 2017 and 2018 subject to the fulfillment of the performance targets that a 15% increase in net profit for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively, when compared to their immediate preceding financial year excluding all exceptional items in the consolidated statement of profit or loss. If the target net profit cannot be achieved in a particular financial year, only 50% of the options granted to the directors and the employees shall be vested, and the remaining 50% of the options granted to them for that particular year shall lapse automatically; and

(d) there is an exercise period of five years commencing from the relevant vesting date.

The amount payable on application or acceptance of the option shall be HK$1.00 and shall be paid within a period of 28 days from the date of offer or such other period as the Board may specify. Unless otherwise determined by the Board and specified in the other letter, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the grantee before the options can be exercised.

The share options under the New Share Option Scheme do not confer rights on the holders to dividend or to vote at shareholders' meeting.

The fair value of the share options under the New Share Option Scheme was estimated at approximately RMB12,474,000 as at the date of grant, using a binomial pricing model, taking into account the terms and conditions upon which the share options were granted. The estimated dividend yield and expected volatility are nil and 44%, respectively. The other inputs to the model used are as follows:

	First batch	Second batch	Third batch	Fourth batch
Risk-free interest rate (%)	1.02%	1.17%	1.31%	1.35%
Expected life of options (years)	5.27	6.27	7.27	8.27

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected life of the options represents period from date of grant to expiry date of share options and is not necessarily indicative of the exercise patterns that may occur.

No other feature of the options granted was incorporated into the measurement of fair value.

23. Share Option Scheme *(continued)*

The following share options were outstanding under the New Share Option Scheme during the six months ended 30 June 2019 and 2018:

	Six months ended 30 June			
	2019		2018	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	0.78	22,550	0.78	22,600
Forfeited during the period	0.78	–	0.78	(50)
At 30 June	0.78	22,550	0.78	22,550

During the six months ended 30 June 2019, no share options were exercised, forfeited or cancelled under the New Share Option Scheme.

The exercise prices and exercise periods of the share options outstanding under the New Share Option Scheme as at 30 June 2019 are as follows:

Number of options '000	Exercise price HK$ per share	Exercise period
2,700	0.78	30 April 2015 to 30 April 2020
7,450	0.78	30 April 2016 to 30 April 2021
6,600	0.78	30 April 2017 to 30 April 2022
5,800	0.78	30 April 2018 to 30 April 2023
22,550		

The Group did not recognise share option expense related to the share options under the New Share Option Scheme for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB181,000).

At the end of the reporting period, the Company had 22,550,000 share options outstanding under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 22,550,000 additional ordinary shares of the Company and additional share capital of HKD23,000 (equivalent to RMB20,000) and share premium of HKD17,566,000 (equivalent to RMB15,453,000) (before the issue expenses).

At the date of approval of these unaudited interim condensed consolidated financial statements, the Company had 22,550,000 share options outstanding under the New Share Option Scheme, which represented approximately 2.4% of the Company's shares in issue as at that date.

24. Commitments

The Group had the following capital commitments at the end of reporting period:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Contracted, but not provided for:		
Buildings, plant and machinery	**56,306**	56,306

25. Related Party Transactions

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	**5,956**	6,375
Pension scheme contributions	**170**	174
Equity-settled share option expense	**–**	144
Total compensation paid to key management personnel	**6,126**	6,693

26. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and cash equivalents, time deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, an amount due to the ultimate holding company and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of finance lease payables, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables, and interest-bearing bank and other borrowings as at 30 June 2019 was assessed to be insignificant.

The fair value of the listed equity investment is based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the market capitalisation of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the unaudited interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2019 and 31 December 2018.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/E multiple of peers	30 June 2019: 20.1 (31 December 2018:25.7)	30 June 2019: 5% increase/decrease in multiple would result in increase/decrease in fair value by RMB999,000 (31 December 2018:RMB1,299,000)
		Discount for lack of marketability	30 June 2019: 25% (31 December 2018: 25%)	30 June 2019:500 basis points increase/decrease in discount would result in decrease/increase in fair value by RMB1,322,000 (31 December 2018:RMB1,732,000)

26. Fair Value and Fair Value Hierarchy of Financial Instruments *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Equity investments at fair value through other comprehensive income	–	–	**28,977**	**28,977**
Financial asset at fair value through profit or loss	–	–	–	–
	–	–	**28,977**	**28,977**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Equity investments at fair value through other comprehensive income	–	–	27,830	27,830
Financial asset at fair value through profit or loss	–	–	–	–
	–	–	27,830	27,830

The movements in fair value measurements within Level 3 during the period/year are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Equity investments at fair value through other comprehensive income		
At 1 January	**27,830**	36,800
Total gains recognised in other comprehensive income	**1,147**	1,697
Return of investment	–	(10,667)
Closing balance	**28,977**	27,830

26. Fair Value and Fair Value Hierarchy of Financial Instruments *(continued)*

Fair value hierarchy *(continued)*

Liabilities for which fair values are disclosed:

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Interest-bearing bank and other borrowings	**–**	**108,338**	**–**	**108,338**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Interest-bearing bank and other borrowings	–	117,825	–	117,825

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 (31 December 2018: Nil).

27. Approval of the Interim Condensed Consolidated Financial Statements

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 29 August 2019.

PARTICULARS OF **PROPERTIES**

30 June 2019

Investment Properties

Location	Use	Tenure	Attributable interest of the Group
2001 Floor, One Bravo Plaza, No. 1 Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
2002 Floor, One Bravo Plaza, No. 1 Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
2003 Floor, One Bravo Plaza, No. 1 Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
2004 Floor, One Bravo Plaza, No. 1 Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
2005 Floor, One Bravo Plaza, No. 1 Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
2006 Floor, One Bravo Plaza, No. 1 Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
1801 Floor, One Bravo Plaza, No. 1 Jin Sui Road, Guangzhou, China	Office	Long term lease	100%
1901 Floor, One Bravo Plaza, No. 1 Jin Sui Road, Guangzhou, China	Office	Long term lease	100%