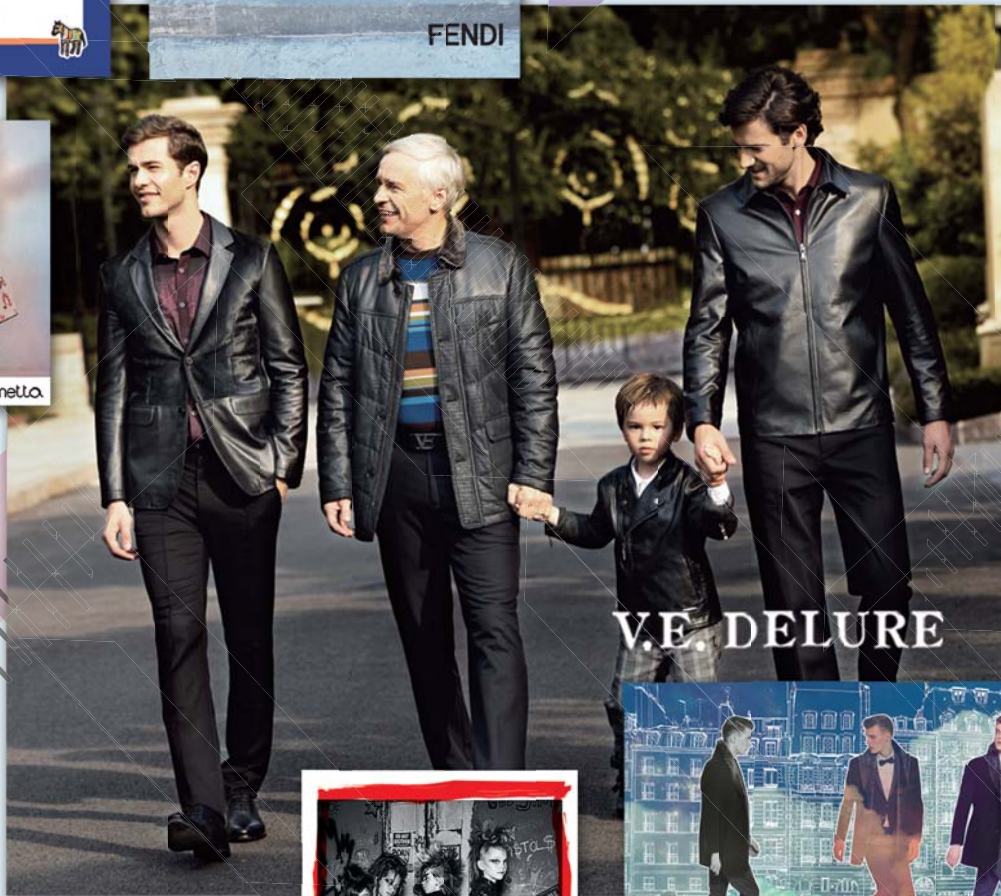


Evergreen International Holdings Limited  
長興國際(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 238

2017  
Interim Report



SONIA RYKIEL PARIS





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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 (appointed on 1 January 2017)

Mr. Li Wai Leung (resigned on 1 January 2017)

### Authorised Representatives

Mr. Chan Yuk Ming

Mr. Hung Hing Hung (appointed on 1 January 2017)

Mr. Li Wai Leung (resigned on 1 January 2017)

### 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

P.O. Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

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

18/F–21/F

One Bravo Plaza

No. 1, Jinsui Road

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 China Limited

Bank of China (Hong Kong) Limited

Chong Hing Bank Limited

Hang Seng Bank Limited

Ping An Bank Co., Limited

Shanghai Commercial Bank Limited

Shanghai Pudong Development Bank Company Limited

The Hongkong and Shanghai Banking Corporation Limited

### Auditors

Ernst & Young, Certified Public Accountants

### Legal Advisor

MinterEllison

### Investor Relations

Investor Connect Advisory Ltd.

### Stock Code

00238.HK

### Company's Website

[www.evergreen-intl.com](http://www.evergreen-intl.com)

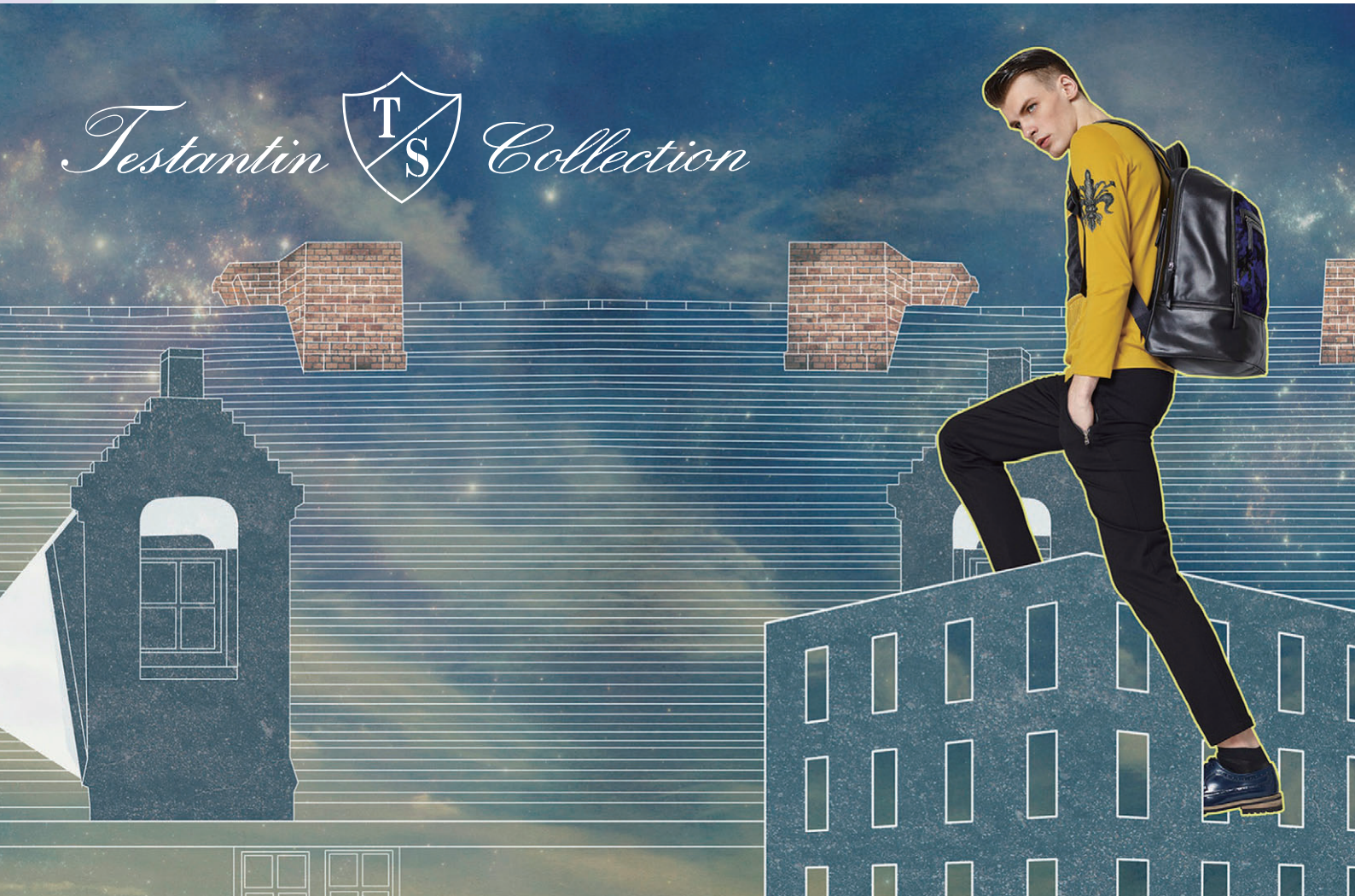




# V.E. DELURE



*Testantin*  *Collection*







junior  
roberto cavalli

SONIA RYKIEL PARIS







KENZO PARIS  
KIDS



simonetta



TRUSSARDI  
JUNIOR



Paul Smith



LET  
NOTHING  
STOP  
YOU

DIESEL



# Evergreen Children's Wear and Accessories Shops

Chengdu IFS



The Promenade Shops, Galaxy Macau







Qingdao Hisense Plaza



Shanghai Kerry Center



Hangzhou MixCity



Shenzhen MixCity



Guangzhou La Perle



Hong Kong Sogo, Causeway Bay



Hong Kong Emax





# Financial Highlights

For the six months ended 30 June

	2017 RMB'million	2016 RMB'million	Changes %
Revenue	<b>162.6</b>	197.6	-17.7%
Gross profit	<b>93.6</b>	120.6	-22.4%
Loss attributable to ordinary equity holders of the Company	<b>(78.8)</b>	(38.7)	103.6%
Basic and diluted loss per share (RMB cents) (Note 1)	<b>(8.3)</b>	(4.1)	102.4%
Interim dividend per share (HK cents)	<b>19</b>	–	
Gross profit margin	<b>57.6%</b>	61.1%	
Net loss margin	<b>(48.5)%</b>	(19.6)%	
Effective tax rate	<b>(11.7)%</b>	6.0%	

	As at 30 June 2017	As at 31 December 2016
Inventory turnover days (Note 2)	<b>474</b>	455
Trade receivables turnover days (Note 3)	<b>82</b>	75
Trade payables turnover days (Note 4)	<b>32</b>	31

Notes:

1. Basic and diluted loss per share = loss attributable to the 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 the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017.

## Market Review

In the first half of 2017, the economy in the People’s Republic of China (the “PRC”, “Mainland China” or “China”) continued to be complicated and volatile. According to the National Bureau of Statistics of China, the gross domestic product (“GDP”) for the first half of 2017 amounted to RMB38.1 trillion, representing an increase of 6.9% compared to the same period of last year.

The total retail sales of consumer goods in China amounted to RMB17.2 trillion, representing an increase of 10.4% compared to the same period of last year. The total retail sales of consumer goods realised in urban area and rural area amounted to RMB14.8 trillion and RMB2.5 trillion, respectively, representing an increase of 10.1% and 12.3%, respectively, compared to the same period of last year. The growth rates were 0.1 percentage points lower and 1.3 percentage points higher than that in the first half of 2016, respectively. In particular, the total sales of garments, footwear, hats and knitwear in the first half of 2017 amounted to RMB0.7 trillion, representing an increase of 7.3% compared to the same period of last year. The growth rate was 0.3 percentage points higher than that of 7.0% in the first half of 2016.

The premium menswear industry is facing intense competition. Due to the vast development of e-Commerce in China, more customers have switched their shopping behavior from traditional retail stores to online shopping. This has adversely affected our performance especially in department stores. In view of the challenging economic and market environment, the Group continued to adjust its strategies in response to the changes in the market in order to enhance the demand from customers who purchased for their own use. During the period, the Group continued to invest resources in online retail

platform, refining marketing strategy in brand building, reinforcing customer loyalty by organising marketing events, consolidating the network of self-operated retail stores and closing under-performing retail stores. It also organised various training to its staff and strived to improve operational efficiency and business infrastructure. 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 has been actively looking for other investment opportunities so as to diversify its income and returns.

## Financial Review

During the six months ended 30 June 2017, the Group recorded an aggregate turnover of approximately RMB162,560,000 (six months ended 30 June 2016: RMB197,550,000), representing a decrease of approximately 17.7% compared to the same period of last year. Gross profit for the period decreased from RMB120,644,000 for the six months ended 30 June 2016 to RMB93,636,000, representing a decrease of about 22.4%, and gross profit margin decreased from 61.1% for the six months ended 30 June 2016 to 57.6% for the same period of 2017. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB78,799,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB38,666,000) and net loss margin for the six months ended 30 June 2017 of 48.5% as compared to a net loss margin of 19.6% for the six months ended 30 June 2016. The loss was mainly attributable to (i) the decrease in revenue in our proprietary brands of menswear segment; (ii) foreign exchange loss; (iii) non-cash write-down of inventories for children’s wear; and (iv) impairment of trade receivables.



# Management Discussion and Analysis

## Turnover

	Six months ended 30 June				
	2017		2016		Change
	RMB'000	% of turnover	RMB'000	% of turnover	
<b>Proprietary brands – Menswear</b>					
Self-operated stores	98,177	60.4%	139,412	70.6%	-29.6%
Distributors	18,573	11.4%	30,233	15.3%	-38.6%
	<b>116,750</b>	<b>71.8%</b>	169,645	85.9%	-31.2%
<b>Licensed brands</b>	<b>45,810</b>	<b>28.2%</b>	27,905	14.1%	64.2%
	<b>162,560</b>		197,550		-17.7%

The total turnover of the Group for the six months ended 30 June 2017 decreased by 17.7% to approximately RMB162,560,000 (six months ended 30 June 2016: RMB197,550,000). The decrease in turnover was mainly due to the decrease in sales of menswear as the Group continued to close underperforming stores and offered more discounts to customers to boost the sales of the products, in particularly the aged products, amidst the overall weak and sluggish retail market.

Turnover of the Group for the six months ended 30 June 2017 comprised sales from self-operated stores of about RMB98,177,000 (six months ended 30 June 2016: RMB139,412,000), sales to distributors of RMB18,573,000 (six months ended 30 June 2016: RMB30,233,000) and sales

from the licensed brands business of RMB45,810,000 (six months ended 30 June 2016: RMB27,905,000).

The aggregate sales from self-operated stores for the six months ended 30 June 2017 decreased by 29.6% as compared to the same period of last year, and accounted for about 60.4% (six months ended 30 June 2016: 70.6%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the six months ended 30 June 2017 also decreased by 38.6% as compared to the same period of last year and accounted for about 11.4% (six months ended 30 June 2016: 15.3%) of the total turnover, as the distributors remained uncertain and cautious towards the retail market in the PRC.

## Turnover by Region

	Six months ended 30 June				
	2017		2016		Change
	RMB'000	% of turnover	RMB'000	% of turnover	
<b>Menswear</b>					
Central China	7,929	6.8%	10,888	6.4%	-27.2%
North Eastern China	5,164	4.4%	10,575	6.2%	-51.2%
Eastern China	12,449	10.7%	23,107	13.6%	-46.1%
North Western China	17,543	15.0%	22,602	13.3%	-22.4%
Northern China	20,794	17.8%	29,476	17.4%	-29.5%
South Western China	17,958	15.4%	23,564	13.9%	-23.8%
Southern China	31,831	27.3%	45,926	27.1%	-30.7%
Hong Kong and Macau	3,082	2.6%	3,507	2.1%	-12.1%
Total	<b>116,750</b>		169,645		-31.2%

The sales in the South Western, Northern and Southern China for the six months ended 30 June 2017 accounted for 60.5% (six months ended 30 June 2016: 58.4%) 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.



# Management Discussion and Analysis

## Turnover by Product (self-operated stores only)

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
<b>Menswear</b>		
Apparel <sup>(1)</sup>	94,134	133,799
Accessories <sup>(2)</sup>	4,043	5,613
	<b>98,177</b>	139,412

	Six months ended 30 June	
	2017 Unit sold (pcs)	2016 Unit sold (pcs)
<b>Sales Volume</b>		
<b>Menswear</b>		
Apparel <sup>(1)</sup>	108,693	121,143
Accessories <sup>(2)</sup>	16,380	21,746

	Six months ended 30 June	
	2017 RMB	2016 RMB
<b>Average Selling Price</b>		
<b>Menswear</b>		
Apparel <sup>(1)</sup>	866	1,104
Accessories <sup>(2)</sup>	247	258

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 10.4% during the six months ended 30 June 2017 to approximately RMB68,924,000 (six months ended 30 June 2016: RMB76,906,000), which was in line with the decrease in sales volumes of the menswear products during the period. During the period, the Group continued to outsource the production process of most of the apparel and accessories products. The Group also purchased products under the licensed brand, **CARTIER** and purchased children's wear and accessories from the Group's licensed international fashion brands. The Group performed sampling, packaging and post-finish processing of the apparel products produced by outsourced manufacturers, and manufactured a small portion of the apparel products in its own plant.

## Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by RMB27,008,000 or 22.4%, from approximately RMB120,644,000 for the six months ended 30 June 2016 to approximately RMB93,636,000 for the same period of 2017.

During the six months ended 30 June 2017, 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 3.5 percentage points in gross profit margin from 61.1% for the six months ended 30 June 2016 to 57.6 % for the same period of 2017.

## Other Income and Gains

During the six months ended 30 June 2017, other income and gains mainly consisted of bank interest income of RMB10,981,000 (six months ended 30 June 2016: RMB4,819,000).

## Selling and Distribution Expenses

For the six months ended 30 June 2017, selling and distribution expenses primarily represented concessionaire commission to shopping malls and department stores of approximately RMB39,677,000 (six months ended 30 June 2016: RMB56,660,000), advertising and promotion expenses of approximately RMB7,327,000 (six months ended 30 June 2016: RMB5,824,000), and staff costs of approximately RMB26,611,000 (six months ended 30 June 2016: RMB30,075,000). During the six months ended 30 June 2017, the total selling and distribution expenses represented about 68.0% (six months ended 30 June 2016: 67.1%) of the total turnover, representing a slight increase of 0.9 percentage points.



# Management Discussion and Analysis

## Administrative Expenses

For the six months ended 30 June 2017, administrative expenses decreased from RMB33,886,000 for the six months ended 30 June 2016 to RMB31,643,000, representing a decrease of RMB2,243,000 or 6.6% as compared to the same period of last year. The decrease in administrative expenses was mainly due to the decrease in legal and professional fees. During the six months ended 30 June 2017, administrative expenses accounted for 19.5% (six months ended 30 June 2016: 17.2%) of turnover.

## Finance Costs

Finance costs for the six months ended 30 June 2017 mainly represented interest expenses on interest-bearing bank and other borrowings.

## Effective Tax Rate

During the six months ended 30 June 2017, the effective tax rate of the Group amounted to -11.7% (six months ended 30 June 2016: 6.0%).

## Loss Attributable to Ordinary Equity Holders of the Company

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB78,799,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: loss attributable to ordinary equity holder of the Company of RMB38,666,000) and net loss margin for the six months ended 30 June 2017 of 48.5% as compared to a net loss margin of 19.6% for the six months ended 30 June 2016. Basic and diluted loss per share of RMB8.3 cents was recorded for the six months ended 30 June 2017 (six months ended 30 June 2016: basic and diluted loss per share of RMB4.1 cents). The loss was mainly attributable to (i) the decrease in revenue; (ii) foreign exchange loss; (iii) non-cash write-down of inventories for children's wear; and (iv) impairment of trade receivables.

## 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 17.6% for the first half of 2017.

## Retail and Distribution Network

Number of stores of proprietary brands by region

	As at 30 June 2017	As at 31 December 2016
Central China	15	20
North Eastern China	12	18
Eastern China	18	25
North Western China	24	24
Northern China	31	35
South Western China	20	26
Southern China	32	39
Hong Kong and Macau	2	2
	<b>154</b>	<b>189</b>

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.

# Management Discussion and Analysis

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 2017, the Group had a total of 154 stores in 26 provinces and autonomous regions, covering 92 cities in China. There were 63 self-operated stores in 25 cities in China.

In addition, the total number of distributors of the Group amounted to 91, which operated franchised stores of **V.E. DELURE** in 68 cities.

As at 30 June 2017, the number of menswear self-operated stores decreased from 86 as at 31 December 2016 to 63 as a result of the consolidation of inefficient stores. Franchised stores operated by the distributors of the Group decreased from 103 as at 31 December 2016 to 91 as at 30 June 2017. As at 30 June 2017, the total area of self-operated stores was approximately 10,887 square meters (31 December 2016: 14,740 square meters), representing a decrease of 26.1% as compared to the total area of self-operated stores as at 31 December 2016.

*Number of stores of proprietary brands by city tier*

	As at 30 June 2017	As at 31 December 2016	Changes
<b>Self-operated stores</b>			
First-tier	16	18	-2
Second-tier	34	46	-12
Third-tier	11	19	-8
Fourth-tier	2	3	-1
	<b>63</b>	86	-23
<b>Franchised stores</b>			
First-tier	-	-	-
Second-tier	16	17	-1
Third-tier	55	63	-8
Fourth-tier	20	23	-3
	<b>91</b>	103	-12
	<b>154</b>	189	-35

*First-tier cities: Beijing, Shanghai, Guangzhou, Hong Kong and Macau*

*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*



# Management Discussion and Analysis

**FENDI**

simonetta

roberto cavalli  
junior

**DSQUARED2**

Paul Smith  
JUNIOR

SONIA RYKIEL  
PARIS

**KENZO** PARIS  
KIDS

TRUSSARDI  
JUNIOR

**DIESEL**

## Licensed International Brands

Apart from licensed brand business of **CARTIER**, the Group commenced the new business segment of high-end children's wear and accessories products in August 2014. As at 30 June 2017, the Group has secured distribution rights for the following 9 international fashion brands:

### Brand portfolio

Brands	Territories
Diesel Kids	Mainland China, Hong Kong
Dsquared2	Mainland China, Macau
Fendi Kids	Mainland China, Macau
Kenzo Kids	Hong Kong
Paul Smith Junior	Mainland China, Hong Kong
Roberto Cavalli Junior	Mainland China, Hong Kong, Macau
Sonia Rykiel Paris	Mainland China, Hong Kong
Simonetta	Mainland China, Hong Kong, Macau
Trussardi Junior	Mainland China, Hong Kong

As at the date of this report, the Group has 9 mono-brand retail stores in Hong Kong, Macau and Mainland China.

In addition, 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 6 **Kissocool** concept stores in the PRC and Hong Kong as at the date of this report.

# Management Discussion and Analysis

Details of our shop locations by brand for children's wear and accessories are as follows:

Brands	Shops Location	Brands	Shops Location
Diesel Kids	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Hangzhou MixCity <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>	Roberto Cavalli Junior	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax <b>(Kissocool)</b> The Promenade Shops, Galaxy Macau China Chengdu IFS China Hangzhou MixCity China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>
Dsquared2	The Promenade Shops, Galaxy Macau China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Hangzhou MixCity <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>	Sonia Rykiel Paris	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax <b>(Kissocool)</b> China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Hangzhou MixCity <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>
Fendi Kids	The Promenade Shops, Galaxy Macau China Shenzhen MixCity China Hangzhou MixCity China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>	Simonetta	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax <b>(Kissocool)</b> The Promenade Shops, Galaxy Macau China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Hangzhou MixCity <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>
Kenzo Kids	Hong Kong Sogo Causeway Bay	Trussardi Junior	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax <b>(Kissocool)</b> China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Hangzhou MixCity <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>
Paul Smith Junior	Hong Kong Sogo Causeway Bay <b>(Kissocool)</b> China Hangzhou MixCity <b>(Kissocool)</b> China Qingdao Hisense Plaza <b>(Kissocool)</b> China Shanghai Kerry Centre <b>(Kissocool)</b> China Guangzhou La Perle <b>(Kissocool)</b>		

For the six months ended 30 June 2017, the Group's high-end children's wear and accessories product segment recorded a revenue of RMB24,145,000 and a net loss of RMB12,460,000, as the business is still in investment stage.



# Management Discussion and Analysis

## Sales Fair

**V. E. DELURE** 2017 Fall and Winter collections sales fair was held in February 2017. The total orders from franchised stores operated by the distributors of the Group decreased by 7% as compared to that of last year. Delivery of the orders commenced in July 2017.

**V. E. DELURE** 2018 Spring and Summer collections sales fair was held in July 2017. The total orders from franchised stores operated by the distributors of the Group decreased by 28% as compared to that of last year, mainly because the distributors remained uncertain and cautious towards the retail market. Delivery of the orders will commence in January 2018.

## 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 455 days as at 31 December 2016 to 474 days as at 30 June 2017. The inventory balance decreased from RMB191,303,000 as at 31 December 2016 to RMB169,602,000 as at 30 June 2017. The Group will continue to implement a series of measures to speed up the process to sell the aged inventories.

## Marketing and Promotion

The Group has a dedicated marketing team to organise and execute the marketing and promotional activities of its products. The Group focuses on the long-term development of its brands. 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 2017, the total expenditure of the Group in advertising and promotional activities amounted to approximately RMB7,327,000 (six months ended 30 June 2016: RMB5,824,000), which accounted for approximately 4.5% (six months ended 30 June 2016: 2.9%) 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. In addition, the Group continues to supply the formal attire to the PRC men's and women's national soccer team and this arrangement will last till 2019.

## 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 diversify 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.

# Management Discussion and Analysis

## 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 474 days as at 30 June 2017, representing an increase of 19 days as compared to 455 days as at 31 December 2016.

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 75 days as at 31 December 2016 to 82 days as at 30 June 2017.

Trade payables represented payables to suppliers and outsourced manufacturers. Trade payables turnover days was 32 days as at 30 June 2017 which was similar to 31 days as at 31 December 2016.

## 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 2017, 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 2017) RMB'million	Unutilised amount (as at 30 June 2017) RMB'million
Expansion and improvement of retail network	45%	457.8	457.8	–
Developing independent lines of branded apparels and accessories under <b>V.E. DELURE</b> brand	10%	101.7	101.7	–
Acquisitions or licensing of additional brands	20%	203.5	–	203.5
Marketing and promotional activities	7%	71.2	71.2	–
Upgrade of ERP system and database management system	5%	50.9	4.3	46.6
Hiring international design talent and design consultant firms, expanding the Group's existing design team and establishing the Group's own research and design centre	5%	50.9	6.3	44.6
General working capital	8%	81.4	81.4	–
	100%	1,017.4	722.7	294.7



# Management Discussion and Analysis

## Liquidity and Financial Resources

As at 30 June 2017, the Group had cash and cash equivalents of RMB657,339,000 (31 December 2016: cash and cash equivalents of RMB120,252,000, time deposits of RMB500,000,000 and pledged deposits of RMB21,920,000). As at 30 June 2017, the balance of aggregate principal of unlisted corporate bonds issued by the Company amounted to HK\$187,600,000 (equivalent to approximately RMB162,987,000) 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 2017, the interest-bearing bank and other borrowings amounted to RMB347,280,000 (31 December 2016: RMB346,773,000), which were denominated in RMB, Hong Kong dollars and Euros, with maturity from one year to eight years or on demand and bore effective interest rate ranging from 2.5% to 12.85% per annum (31 December 2016: 2.35% to 12.85% per annum). The gearing ratio is calculated by dividing net debt by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals less cash and cash equivalents. Capital represents equity attributable to ordinary equity holders of the Company. The gearing ratio was not applicable as at 30 June 2017 (31 December 2016: 19.5%).

## Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities.

## Pledge of Assets

As at 30 June 2017, deposits of nil (31 December 2016: RMB21,912,000) and certain buildings of carrying amount of approximately RMB259,700,000 (31 December 2016: RMB262,800,000) 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 2017, the total number of full-time employees of the Group was 569. The total staff costs for the six months ended 30 June 2017 amounted to approximately RMB36,367,000 (six months ended 30 June 2016: RMB44,642,000).

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 income statement 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.

# Management Discussion and Analysis

## Prospects

In view of the persistent economic restructuring and reform in China, the outlook of retail sector in the second half of 2017 still remains uncertain and tough. We expect the slower growth of apparel market and sluggish consumer sentiment in mainland China will continue to unfavourably affect our business.

In response to the challenging business and retail environment, the Group will enhance its retail network prudently to prepare for the long-term development. The Group plans to open approximately 4 new self-operated stores and 2 new franchised stores for menswear business in the second half of 2017. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the overall operation efficiency. In addition, inventory control continued to be a key focus by the Group in times of weak retail environment. Our effort on inventory management in the first half of 2017 brought the stock level down from RMB191.3 million as at 31 December 2016 to RMB169.6 million as at 30 June 2017. The Group will continue to implement a series of measures including outlets, temporary promotional sales fair and online business platform to speed up the process of selling the aged inventories.

As at the date of this report, the Group has 9 retail stores and 6 **Kissocool** in Hong Kong, Macau 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 China and extends its retail network in China.

Although we do not expect any imminent and significant improvement of industry environment, given that the macroeconomic environment in China remains positive, we believe there are still tremendous growth opportunity for us as consumer spending in China will continue to be fueled by the fast-growing middle-class. Further to the establishment of Shenzhen Fosun Ellassay Fashion Fund LLP investment fund on 4 March 2016, the Group will continue to look for other new investment opportunities in the apparel industry, accessory product industry and the online business industry for development and expansion.



## Other Information

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

As at 30 June 2017, 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 ( <i>Note 1</i> )	483,934,814	51.00%
		Beneficial owner ( <i>Note 2</i> )	1,736,000	0.18%
		Beneficial owner ( <i>Note 3</i> )	4,000,000	0.42%
Chen Yunan	Long position	Beneficiary of a trust ( <i>Note 1</i> )	483,934,814	51.00%
		Beneficial owner ( <i>Note 3</i> )	4,000,000	0.42%
Chen Minwen	Long position	Beneficiary of a trust ( <i>Note 1</i> )	483,934,814	51.00%
		Beneficial owner ( <i>Note 3</i> )	4,000,000	0.42%
Cheng King Hoi, Andrew	Long position	Beneficial owner ( <i>Note 4</i> )	900,000	0.09%
Fong Wo, Felix	Long position	Beneficial owner ( <i>Note 4</i> )	900,000	0.09%

#### Notes:

- 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.
- These 1,736,000 Shares were held directly by Mr. Chan Yuk Ming.
- Each of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen was interested in 4,000,000 underlying Shares in respect of share options granted under the new share option scheme adopted on 6 January 2014 (the "New Share Option Scheme").
- Each of Mr. Cheng King Hoi, Andrew and Mr. Fong Wo, Felix was interested in 900,000 underlying Shares in respect of share options granted under the New Share Option Scheme.

Save as disclosed above, as at 30 June 2017, 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.

# Other Information

## 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 New Adoption Date.

### (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.



# Other Information

## 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 2017 were as follows:

Name or Category of Grantees	Date of grant	Exercise price per Share (HK\$)	Exercise period	Number of share options				Closing price of the Shares immediately before the grant date (HK\$ per share)	
				Outstanding as at 1 January 2017	Granted during the six months ended 30 June 2017	Exercised during the six months ended 30 June 2017	Lapsed/ forfeited during the six months ended 30 June 2017		Outstanding as at 30 June 2017
<b>Executive Directors:</b>									
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	2,000,000	–	–	–	2,000,000	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	2,000,000	–	–	–	2,000,000	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	2,000,000	–	–	–	2,000,000	0.78
<b>Independent non-executive Directors:</b>									
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				13,800,000	–	–	–	13,800,000	

# Other Information

## Share Option Scheme (Continued)

Name or Category of Grantees	Date of grant	Exercise price per Share (HK\$)	Exercise period	Number of share options				Closing price of the Shares immediately before the grant date (HK\$ per share)	
				Outstanding as at 1 January 2017	Granted during the six months ended 30 June 2017	Exercised during the six months ended 30 June 2017	Lapsed/ forfeited during the six months ended 30 June 2017		Outstanding as at 30 June 2017
<b>Employees</b> (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	3,800,000	-	-	(200,000)	3,600,000	0.78
			30/04/2018–30/04/2023	6,800,000	-	-	(700,000)	6,100,000	0.78
Subtotal				15,050,000	-	-	(900,000)	14,150,000	
<b>Other Grantees</b>	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	-	-	-	900,000	0.78
Total				29,750,000	-	-	(900,000)	28,850,000	

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 and 2016 and financial year ending 31 December 2017, respectively, when compared to their immediate preceding financial year excluding all exceptional items in the consolidated statement of profit or loss and other comprehensive income. 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 2017, 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 2017.

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.

# Other Information

## Share Award Plan (Continued)

### (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 were vested. As at 30 June 2017, there were no outstanding share awards under the Share Award Plan.

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

At 30 June 2017, 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)	1,736,000	0.18%
		Beneficial owner (Note 3)	4,000,000	0.42%
Chen Yunan	Long position	Beneficiary of a trust (Note 1)	483,934,814	51.00%
		Beneficial owner (Note 3)	4,000,000	0.42%
Chen Minwen	Long position	Beneficiary of a trust (Note 1)	483,934,814	51.00%
		Beneficial owner (Note 3)	4,000,000	0.42%
Chen Mianna	Long position	Beneficial owner (Note 4)	45,543,636	4.80%
		Beneficial owner (Note 3)	4,000,000	0.42%
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%
New Horizon Capital III, L.P. ("New Horizon")	Long position	Interest in a controlled corporation (Note 5)	123,096,677	12.97%
Admiralfly Holdings Limited ("Admiralfly")	Long position	Beneficial owner (Note 5)	123,096,677	12.97%

#### Notes:

- 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.
- These 1,736,000 Shares were held directly by Mr. Chan Yuk Ming.
- Each of Mr. Chan Yuk Ming, Mr. Chen Yunan, Mr. Chen Minwen and Ms. Chen Mianna was interested in 4,000,000 underlying Shares in respect of share options granted under the New Share Option Scheme.
- These 45,543,636 Shares were held directly by Ms. Chen Mianna.
- The entire issued share capital of Admiralfly was owned by New Horizon. New Horizon was deemed to be interested in 123,096,677 Shares which were beneficially owned by Admiralfly.



# Other Information

## **Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares** *(Continued)*

Save as disclosed above, as at 30 June 2017, 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**

The Board of the Company has declared an interim dividend of HK19 cents (equivalent to approximately RMB16 cents) per Share for the six months ended 30 June 2017. The interim dividend will be payable on 20 October 2017 to shareholders whose names appear on the register of members of the Company on 10 October 2017.

## **Closure of Register of Members**

The register of members of the Company will be closed from Friday, 6 October 2017 to Tuesday, 10 October 2017, both days inclusive. In order to qualify for the interim dividend, all transfer documents together with the relevant share certificates should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 4 October 2017.

## **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 2017.

## **Corporate Governance**

In the opinion of the Directors, during the six months ended 30 June 2017, 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 2017.

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 2017.

## **Change of Director's/Chief Executive's Information**

Mr. Fong Wo, Felix, an independent non-executive Director, has been appointed as an independent non-executive director and a member of remuneration committee of WuXi Biologics (Cayman) Inc. (HKEx stock code: 2269), a company listed on the Main Board of the Stock Exchange, with effect from 17 May 2017. Mr. Fong has also been appointed as an independent non-executive director of the Bank of Shanghai (Hong Kong) Limited with effect from 29 June 2017.

Mr. Ng Wing Fai, an independent non-executive Director, has been appointed as an independent non-executive director, the chairman and a member of the audit committee and a member of the remuneration committee and the nomination committee of Honworld Group Limited (HKEx stock code: 2226), a company listed on the Main Board of the Stock Exchange, with effect from 29 June 2017.

## Other Information

### **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 results of the Group for the six months ended 30 June 2017 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  
25 August 2017

# Report on Review of Interim Condensed Consolidated Financial Statements



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## To the board of directors of Evergreen International Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Evergreen International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 28 to 46, which comprise the interim condensed consolidated statement of financial position as at 30 June 2017, and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

### Ernst & Young

*Certified Public Accountants*

25 August 2017



# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>162,560</b>	197,550
Cost of sales		<b>(68,924)</b>	(76,906)
Gross profit		<b>93,636</b>	120,644
Other income and gains	4	<b>13,164</b>	11,731
Selling and distribution expenses		<b>(110,534)</b>	(132,576)
Administrative expenses		<b>(31,643)</b>	(33,886)
Other expenses		<b>(23,479)</b>	(293)
Finance costs	6	<b>(11,675)</b>	(6,738)
<b>LOSS BEFORE TAX</b>	5	<b>(70,531)</b>	(41,118)
Income tax (expense)/credit	7	<b>(8,268)</b>	2,452
<b>LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>		<b>(78,799)</b>	(38,666)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:</b>			
Exchange differences on translation of operations outside Mainland China		<b>10,781</b>	(7,469)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>		<b>10,781</b>	(7,469)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(68,018)</b>	(46,135)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	8	<b>RMB(8.3) cents</b>	RMB(4.1) cents

# Interim Condensed Consolidated Statement of Financial Position

30 June 2017

	<i>Notes</i>	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	<b>366,116</b>	379,481
Prepaid land lease payment		<b>45,605</b>	46,086
Goodwill		<b>1,880</b>	1,880
Other intangible asset		<b>3,996</b>	4,115
Long term lease prepayment		<b>63,387</b>	64,178
Available-for-sale investment		<b>36,800</b>	36,800
Deferred tax assets		<b>18,054</b>	18,157
Total non-current assets		<b>535,838</b>	550,697
<b>CURRENT ASSETS</b>			
Inventories	11	<b>169,602</b>	191,303
Trade receivables	12	<b>59,829</b>	86,888
Prepayments, deposits and other receivables	13	<b>49,699</b>	57,494
Tax recoverable		<b>2,856</b>	–
Time deposits	14	–	500,000
Pledged deposits	14	–	21,920
Cash and cash equivalents	14	<b>657,339</b>	120,252
Total current assets		<b>939,325</b>	977,857
<b>CURRENT LIABILITIES</b>			
Trade payables	15	<b>11,591</b>	12,968
Other payables and accruals	16	<b>41,489</b>	35,549
Interest-bearing bank and other borrowings	17	<b>217,810</b>	295,863
Tax payable		<b>1,803</b>	568
Total current liabilities		<b>272,693</b>	344,948
<b>NET CURRENT ASSETS</b>		<b>666,632</b>	632,909
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,202,470</b>	1,183,606
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	17	<b>129,470</b>	50,910
Deferred tax liabilities		<b>7,591</b>	–
Total non-current liabilities		<b>137,061</b>	50,910
Net assets		<b>1,065,409</b>	1,132,696
<b>EQUITY</b>			
<b>Equity attributable to ordinary equity holders of the Company</b>			
Issued capital	18	<b>829</b>	829
Reserves		<b>1,064,580</b>	1,131,867
Total equity		<b>1,065,409</b>	1,132,696

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

Note	Attributable to ordinary equity holders of the Company											
	Issued capital	Share premium account	Shares held for the Share Award Plan	Acquisition reserve	Merger reserve	Statutory surplus reserve	Capital redemption reserve	Exchange fluctuation reserve	Share option reserve	Share award reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(note 18)</i>											
At 1 January 2017 (audited)	829	671,612	(26)	2,639	1,072	79,379	28	(60,116)	4,466	(3,097)	435,910	1,132,696
Loss for the period	-	-	-	-	-	-	-	-	-	-	(78,799)	(78,799)
Other comprehensive income for the period:												
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	-	10,781	-	-	-	10,781
Total comprehensive loss for the period	-	-	-	-	-	-	-	10,781	-	-	(78,799)	(68,018)
Equity-settled share option scheme	19	-	-	-	-	-	-	-	731	-	-	731
At 30 June 2017 (unaudited)	829	671,612*	(26)*	2,639*	1,072*	79,379*	28*	(49,335)*	5,197*	(3,097)*	357,111*	1,065,409

\* These reserve accounts comprise the consolidated reserves of RMB1,064,580,000 (31 December 2016: RMB1,131,867,000) in the interim condensed consolidated statement of financial position.

Note	Attributable to ordinary equity holders of the Company											
	Issued capital	Share premium account	Shares held for the Share Award Plan	Acquisition reserve	Merger reserve	Statutory surplus reserve	Capital redemption reserve	Exchange fluctuation reserve	Share option reserve	Share award reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (audited)	829	671,612	(3,163)	2,639	1,072	78,555	28	(37,541)	2,705	(725)	517,143	1,233,154
Loss for the period	-	-	-	-	-	-	-	-	-	-	(38,666)	(38,666)
Other comprehensive loss for the period:												
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	-	(7,469)	-	-	-	(7,469)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(7,469)	-	-	(38,666)	(46,135)
Equity-settled share option scheme	19	-	-	-	-	-	-	-	1,235	-	-	1,235
Equity-settled Share Award Plan	-	-	-	-	-	-	-	-	-	1,171	-	1,171
Shares purchase for the Share Award Plan	-	-	(413)	-	-	-	-	-	-	-	-	(413)
Transfer from retained profits	-	-	-	-	-	10	-	-	-	-	(10)	-
At 30 June 2016 (unaudited)	829	671,612	(3,576)	2,639	1,072	78,565	28	(45,010)	3,940	446	478,467	1,189,012



# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax		<b>(70,531)</b>	(41,118)
Adjustments for:			
Finance costs	6	<b>11,675</b>	6,738
Foreign exchange (gains)/losses		<b>9,719</b>	(6,570)
Bank interest income	4	<b>(10,981)</b>	(4,819)
Depreciation	5	<b>13,618</b>	16,862
Recognition of prepaid land lease payment	5	<b>481</b>	160
Write-down of inventories	5	<b>9,566</b>	–
Impairment of receivables	5	<b>3,327</b>	–
Amortisation of long term lease prepayment	5	<b>791</b>	791
Equity-settled share option expense	5	<b>731</b>	1,235
Equity-settled share award expense	5	<b>–</b>	1,171
Gain on disposal of items of property, plant and equipment	5	<b>–</b>	(36)
		<b>(31,604)</b>	(25,586)
Decrease in trade receivables		<b>23,732</b>	9,460
Decrease in inventories		<b>12,135</b>	40,871
Increase in prepayments, deposits and other receivables		<b>(4,264)</b>	(2,043)
Decrease in trade payables		<b>(1,377)</b>	(10,536)
Increase/(decrease) in other payables and accruals		<b>5,733</b>	(1,445)
Cash generated from operations		<b>4,355</b>	10,721
Interest received		<b>23,040</b>	11,190
Mainland China corporate income tax paid		<b>(1,678)</b>	(2,129)
Hong Kong income tax paid		<b>(517)</b>	–
Net cash flows from operating activities		<b>25,200</b>	19,782

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Net cash flows from operating activities		25,200	19,782
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(1,748)	(12,364)
Proceeds from disposal of items of property, plant and equipment		206	43
Decrease in time deposits and pledged deposits		521,920	121,072
Purchase of available-for-sale investment		–	(36,800)
Addition to investments in an associate		–	(2,000)
Addition to prepaid land lease payment		–	(1,389)
Net cash flows generated from investing activities		520,378	68,562
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		96,584	111,533
Proceeds from issue of corporate bonds		80,536	34,006
Repayment of bank loans		(171,986)	(278,001)
Repayment of corporate bonds		(3,930)	–
Purchase of shares held under the Share Award Plan		–	(413)
Interest paid		(8,740)	(7,716)
Net cash flows used in financing activities		(7,536)	(140,591)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		538,042	(52,247)
Cash and cash equivalents at beginning of period		120,252	548,875
Effect of foreign exchange rate changes, net		(955)	254
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		657,339	496,882
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	14	657,339	496,882
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows		657,339	496,882

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

## 1. Corporate Information

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

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

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

## 2.1 Basis of Preparation and Changes in Accounting Policies

### Basis of preparation

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

They have been prepared under the historical cost convention, except for certain equity investment which has been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which also include IASs and Interpretations) as disclosed in Changes in accounting policies below.

These unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016.

### Changes in accounting policies and disclosures

The Group has adopted the following revised IFRSs for the first time for the current period's condensed consolidated financial statements.

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to IFRS 12 included in Annual Improvements 2014–2016 Cycle	<i>Disclosure of Interests in Other Entities</i>

The adoption of these revised IFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements.

## 3. Operating Segment Information

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

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

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



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

## 4. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Revenue</b>		
Sale of goods	<b>162,560</b>	197,550
<b>Other income and gains</b>		
Bank interest income	<b>10,981</b>	4,819
Investment income	<b>1,855</b>	–
Foreign exchange gains	<b>–</b>	6,473
Others	<b>328</b>	439
	<b>13,164</b>	11,731

## 5. Loss Before Tax

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

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cost of inventories sold		<b>68,924</b>	76,906
Depreciation	10	<b>13,618</b>	16,862
Recognition of prepaid land lease payment		<b>481</b>	160
Amortisation of long term lease prepayment		<b>791</b>	791
Operating lease rental expense:			
Minimum lease payments		<b>13,582</b>	11,762
Contingent rents		<b>39,677</b>	56,660
		<b>53,259</b>	68,422
Employee benefit expense:			
Wages and salaries		<b>32,547</b>	38,127
Pension scheme contributions		<b>3,089</b>	4,109
Equity-settled share option expense	19	<b>731</b>	1,235
Equity-settled share award expense		<b>–</b>	1,171
		<b>36,367</b>	44,642
Write-down of inventories*		<b>9,566</b>	–
Foreign exchange differences, net		<b>10,350*</b>	(6,473)
Impairment of trade receivables*		<b>3,327</b>	–
Gain on disposal of items of property, plant and equipment		<b>–</b>	(36)

\* These items are included in "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

## 6. Finance Costs

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interest on interest-bearing bank and other borrowings	<b>11,675</b>	6,738

## 7. Income Tax

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current — Charge for the period		
Mainland China	<b>9</b>	1,174
Hong Kong	<b>565</b>	—
Deferred	<b>7,694</b>	(3,626)
Total tax charge/(credit) for the period	<b>8,268</b>	(2,452)

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 British Virgin Islands in both the six months ended 30 June 2017 and 2016 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 2017 and 2016, based on the existing legislation, interpretations and practices in respect thereof.

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 2017 and 2016.

No provision for Macau profits tax has been made as the Group had no assessable profits arising in Macau during the six months ended 30 June 2017 and 2016.

Deferred tax provision of RMB7,591,000 has been made in respect of withholding tax calculated at 5% on the distributable profit of the Group's subsidiaries in Mainland China during the six months ended 30 June 2017 (the six months ended 30 June 2016: nil).

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

## 8. Loss per Share Attributable to Ordinary Equity Holders of the Company

The calculation of 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 number of ordinary shares in issue of 948,799,763 (six months ended 30 June 2016: 945,615,307) during the six months ended 30 June 2017, which reflects the shares held for the share award plan of the Company (the "Share Award Plan") 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 under the share option scheme.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2017 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

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

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<b>78,799</b>	38,666

	Number of Shares	
	2017	2016
<b>Shares</b>		
Weighted average number of ordinary shares in issue	<b>948,825,763</b>	948,825,763
Weighted average number of shares held for the Share Award Plan	<b>(26,000)</b>	(3,210,456)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	<b>948,799,763</b>	945,615,307
Effect of dilution — weighted average number of ordinary shares: Share options	<b>551,613</b>	333,422
Adjusted weighted average number of ordinary shares in issue used in the diluted loss per share calculation	<b>949,351,376</b>	945,948,729

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

## 9. Dividend

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Interim dividend declared and payable of RMB16 cents (2016: nil) per ordinary share	<b>151,812</b>	–

The interim dividend proposed after 30 June 2017 has not been recognised as a liability in the condensed consolidated statement of financial position.

## 10. Property, Plant and Equipment

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Opening balance	<b>379,481</b>	398,385
Additions	<b>713</b>	16,947
Disposals	<b>(206)</b>	(8)
Depreciation	<b>(13,618)</b>	(32,326)
Impairment	<b>–</b>	(3,931)
Exchange realignment	<b>(254)</b>	414
Closing balance	<b>366,116</b>	379,481

At 30 June 2017, certain of the Group's buildings with a net carrying amount of approximately RMB259,700,000 (31 December 2016: RMB262,800,000) were pledged to secure banking facilities granted to the Group.

## 11. Inventories

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Raw materials	<b>5,957</b>	6,469
Work in progress	<b>4,180</b>	2,906
Finished goods	<b>159,465</b>	181,928
	<b>169,602</b>	191,303



# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

## 12. Trade Receivables

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Trade receivables	<b>64,463</b>	88,195
Impairment of trade receivables	<b>(4,634)</b>	(1,307)
	<b>59,829</b>	86,888

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

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Within 1 month	<b>28,807</b>	56,627
1 to 3 months	<b>5,482</b>	11,654
3 to 6 months	<b>9,530</b>	9,717
6 months to 1 year	<b>11,401</b>	3,442
Over 1 year	<b>4,609</b>	5,448
	<b>59,829</b>	86,888

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

## 13. Prepayments, Deposits and Other Receivables

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Deposits and other receivables	<b>38,065</b>	50,072
Prepayments	<b>10,672</b>	6,460
Current portion of prepaid land lease payment	<b>962</b>	962
	<b>49,699</b>	57,494

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

## 14. Cash and Cash Equivalents, Time Deposits and Pledged Deposits

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
<i>Note</i>		
Cash at banks and in hand	<b>657,339</b>	120,252
Time deposits with original maturity of over three months when acquired	–	521,920
	<b>657,339</b>	642,172
Less: Pledged time deposits for short term bank loans	–	(21,920)
Time deposits	–	(500,000)
Cash and cash equivalents	<b>657,339</b>	120,252

## 15. Trade Payables

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

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Within 1 month	<b>4,009</b>	3,978
1 to 3 months	<b>3,562</b>	3,254
3 to 6 months	<b>1,373</b>	3,096
6 months to 1 year	<b>1,175</b>	598
Over 1 year	<b>1,472</b>	2,042
	<b>11,591</b>	12,968

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.

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

## 16. Other Payables and Accruals

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Other payables	30,300	27,057
Advances from customers	7,252	4,702
Deferred income	2,000	2,000
Accruals	1,937	1,790
	<b>41,489</b>	<b>35,549</b>

Other payables are non-interest-bearing.

## 17. Interest-Bearing Bank and Other Borrowings

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
<b>Current</b>		
Bank loans — secured, on demand	127,840	129,577
Bank loans — secured, within one year	80,000	73,900
Bank loans — unsecured, on demand	6,457	8,578
Bank loans — unsecured, within one year	—	78,000
Finance lease payables	123	127
Corporate bonds ( <i>note c</i> )	3,390	5,681
	<b>217,810</b>	<b>295,863</b>
<b>Non-current</b>		
Finance lease payables	307	380
Corporate bonds ( <i>note c</i> )	129,163	50,530
	<b>129,470</b>	<b>50,910</b>
Total	<b>347,280</b>	<b>346,773</b>

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

## 17. Interest-Bearing Bank and Other Borrowings (Continued)

Notes:

- (a) Certain of the Group's bank loans are secured by:
- (i) There is no pledge of the Group's time deposits in 2017 (31 December 2016: RMB21,920,000); and
  - (ii) the pledge of the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB259,700,000 (31 December 2016: RMB262,800,000).
- (b) As at 30 June 2017, the Group's bank and other borrowings were denominated in Hong Kong dollars, Renminbi and Euros. Except for the corporate bonds disclosed below, the Group's bank and other borrowings bore interest at a rate ranging from 2.5% to 5.23% per annum. (31 December 2016: from 2.35% to 5.23% per annum)

- (c) 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 consolidated financial statements are calculated as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Opening balance	56,211	–
Issuance during the period	100,255	66,153
Transaction costs	(19,719)	(13,198)
Interest charged	4,674	2,313
Interest payable included in other payables and accruals	(2,919)	(1,489)
Repayment	(3,930)	–
Exchange realignment	(2,019)	2,432
Closing balance	132,553	56,211
Portion classified as current liabilities	3,390	5,681
Non-current portion	129,163	50,530

The effective interest rates on the Group's corporate bonds range from 8.91% to 12.85% per annum.

- (d) As at 30 June 2017 and 31 December 2016, the Group was not in compliance with certain financial loan covenants and the respective cash loans would become callable on demand. The outstanding loan balance amounting to approximately RMB127,840,000 (being the sum of HKD44,429,000 and RMB89,240,000) was recorded as current liabilities as at 30 June 2017 (31 December 2016: RMB119,899,000). As at the date of this report, the Group is in continuous discussion with the bank concerned and expects to reach a satisfactory arrangement shortly thereafter and thus far there is no demand from the bank on immediate repayment.



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## 18. Share Capital Shares

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.001 each	<b>10,000</b>	10,000
Issued and fully paid: 948,825,763 (31 December 2016: 948,825,763) ordinary shares of HK\$0.001 each	<b>829</b>	829

## 19. 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 is obtained.

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## 19. 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/ending 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.

# Notes to the Interim Condensed Consolidated Financial Statements

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## 19. Share Option Scheme (Continued)

The following share options were outstanding under the New Share Option Scheme during the six months ended 30 June 2017:

	Six months ended 30 June			
	2017		2016	
	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	<b>0.78</b>	<b>29,750</b>	0.78	37,150
Forfeited during the period	<b>0.78</b>	<b>(900)</b>	0.78	–
Exercised during the period	<b>0.78</b>	–	0.78	–
At 30 June	<b>0.78</b>	<b>28,850</b>	0.78	37,150

During the six months ended 30 June 2017, no share options were exercised 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 2017 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
12,100	0.78	30 April 2018 to 30 April 2023
<b>28,850</b>		

The Group recognised a share option expense of RMB731,000 (note 5) related to the share options under the New Share Option Scheme for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB1,235,000).

At the date of approval of these interim condensed consolidated financial statements, the Company had 28,850,000 share options outstanding under the New Share Option Scheme, which represented approximately 3.0% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 28,850,000 additional ordinary shares of the Company and additional share capital of HKD29,000 (equivalent to RMB25,000) and share premium of HKD22,474,000 (equivalent to RMB19,526,000) (before the issue expenses).

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## 20. Operating Lease Arrangements

The Group leases certain of its office properties and stores under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Within one year	<b>18,320</b>	17,626
In the second to fifth years, inclusive	<b>4,133</b>	8,977
	<b>22,453</b>	26,603

## 21. Commitments

In addition to the operating lease commitments detailed in note 20 above, the Group had capital commitments as follows:

	<b>30 June 2017 RMB'000 (Unaudited)</b>	31 December 2016 RMB'000 (Audited)
Contracted, but not provided for: Equity investment	<b>59,200</b>	59,200

## 22. Related Party Transactions

Compensation of key management personnel of the Group:

	<b>Six months ended 30 June</b>	
	<b>2017 RMB'000 (Unaudited)</b>	2016 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	<b>5,407</b>	5,196
Pension scheme contributions	<b>125</b>	125
Equity-settled share option expense	<b>478</b>	918
Equity-settled share award expense	<b>–</b>	210
Total compensation paid to key management personnel	<b>6,010</b>	6,449



# Notes to the Interim Condensed Consolidated Financial Statements

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## **23. Fair Value of Financial Instruments**

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial 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 financial liabilities included in 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 interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant. The carrying amounts of these financial instruments carried at amortised cost are not materially different from their fair values as at 30 June 2017 and 31 December 2016.

## **24. Event After the Period Interim dividend**

On 25 August 2017, the Directors declared an interim dividend of RMB16 cents per ordinary share to ordinary equity holders of the Company.

## **25. 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 25 August 2017.