Evergreen International Holdings Limited
長興國際(集團)控股有限公司
(Incorporated in the Cayman Islands with limited liabilty)
Stock Code: 238

2018
INTERIM REPORT

CONTENTS

CORPORATE **INFORMATION**

Directors

Executive Directors

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

Independent Non-Executive Directors

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

Company Secretary

Mr. Hung Hing Hung

Authorised Representatives

Mr. Chan Yuk Ming
Mr. Hung Hing Hung

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Share Award Plan Committee

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

Registered Office

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

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Zhujiang New Town Tianhe District
Guangzhou, China

Principal Place of Business in Hong Kong

Rooms 1305–1307, 13/F, New East Ocean Centre
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Kowloon, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited
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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 LLP

Investor Relations

Investor Connect Advisory Ltd.

Stock Code

00238.HK

Company's Website

www.evergreen-intl.com


V.E. DELURE


V.E. DELURE

V.E. DELURE

EVERGREEN CHILDREN'S WEAR **AND ACCESSORIES SHOPS**

Hong Kong Sogo, Causeway Bay

Hong Kong Emax

Qingdao Hisense Plaza

Guangzhou La Perle

Hangzhou MixCity

FINANCIAL **HIGHLIGHTS**

For the six months ended 30 June

	Six months ended 30 June		
	2018	2017	Change
	RMB'million	RMB'million	%
Revenue	**144.6**	162.6	-11.0%
Gross profit	**79.9**	93.6	-14.7%
Loss attributable to ordinary equity holders of the Company	**(51.4)**	(78.8)	-34.7%
Basic and diluted loss per share (RMB cents) *(Note 1)*	**(5.4)**	(8.3)	-34.7%
Interim dividend per share (HK cents)	**–**	19	
Gross profit margin	**55.2%**	57.6%	
Net loss margin	**(35.6)%**	(48.5)%	
Effective tax rate	**6.8%**	(11.7)%	

	As at 30 June 2018	As at 31 December 2017
Inventory turnover days *(Note 2)*	**407**	499
Trade receivables turnover days *(Note 3)*	**81**	91
Trade payables turnover days *(Note 4)*	**43**	43

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**

Market Review

In the first half of 2018, 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 2018 amounted to RMB41.9 trillion, representing an increase of 6.8% compared to the same period of last year.

The total retail sales of consumer goods in China amounted to RMB18.0 trillion, representing an increase of 9.4% compared to the same period of last year. The total retail sales of consumer goods realised in urban area and rural area amounted to RMB15.4 trillion and RMB2.6 trillion, respectively, representing an increase of 9.2% and 10.5%, respectively, compared to the same period of last year. The growth rates were 0.9 percentage points lower and 1.8 percentage points lower than that in the first half of 2017, respectively. In particular, the total sales of garments, footwear, hats and knitwear in the first half of 2018 amounted to RMB0.7 trillion, representing an increase of 9.2% compared to the same period of last year. The growth rate was 1.9 percentage points higher than that of 7.3% in the first half of 2017.

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 2018, the Group recorded an aggregate turnover of approximately RMB144,606,000 (six months ended 30 June 2017: RMB162,560,000), representing a decrease of approximately 11.0% compared to the same period of last year. Gross profit for the period decreased from RMB93,636,000 for the six months ended 30 June 2017 to RMB79,872,000, representing a decrease of about 14.7%, and gross profit margin decreased from 57.6% for the six months ended 30 June 2017 to 55.2% for the same period of 2018. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB51,433,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB78,799,000) and net loss margin for the six months ended 30 June 2018 of 35.6% as compared to a net loss margin of 48.5% for the six months ended 30 June 2017. The loss was mainly attributable to (i) the decrease in revenue in our licensed brands; and (ii) non-cash write-down of inventories.

Turnover

	Six months ended 30 June				
	2018		2017		Change
	RMB'000	% of turnover	RMB'000	% of turnover	%
Proprietary brands–Menswear					
Self-operated stores	**94,844**	**65.6%**	98,177	60.4%	-3.4%
Distributors	**21,826**	**15.1%**	18,573	11.4%	17.5%
	116,670	**80.7%**	116,750	71.8%	-0.1%
Licensed brands	**27,936**	**19.3%**	45,810	28.2%	-39.0%
	144,606		162,560		-11.0%

The total turnover of the Group for the six months ended 30 June 2018 decreased by 11.0% to approximately RMB144,606,000 (six months ended 30 June 2017: RMB162,560,000). The decrease in turnover was mainly due to the decrease in sales of licensed brands as the Group has been refining the network of retail stores for the licensed brands. The Group continued to close underperforming stores and offered more discounts to customers to boost the sales of the products, in particular the aged products, amidst the overall weak and sluggish retail market. The sales of menswear has maintained the same level as the prior period due to the Group's effort.

Turnover of the Group for the six months ended 30 June 2018 comprised sales from self-operated stores of about RMB94,844,000 (six months ended 30 June 2017: RMB98,177,000), sales to distributors of RMB21,826,000 (six months ended 30 June 2017: RMB18,573,000) and sales from the licensed brands business of RMB27,936,000 (six months ended 30 June 2017: RMB45,810,000).

The aggregate sales from self-operated stores for the six months ended 30 June 2018 decreased by 3.4% as compared to the same period of last year, and accounted for about 65.6% (six months ended 30 June 2017: 60.4%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the six months ended 30 June 2018 increased by 17.5% as compared to the same period of last year and accounted for about 15.1% (six months ended 30 June 2017: 11.4%) of the total turnover, as the distributors were generally positive towards the retail market in the PRC in the coming future.

Turnover by Region

	Six months ended 30 June				
	2018		2017		Change
	RMB'000	% of turnover	RMB'000	% of turnover	%
Menswear					
Central China	**6,819**	**5.8%**	7,929	6.8%	-14.0%
North Eastern China	**3,012**	**2.6%**	5,164	4.4%	-41.7%
Eastern China	**7,771**	**6.7%**	12,449	10.7%	-37.6%
North Western China	**22,519**	**19.3%**	17,543	15.0%	28.4%
Northern China	**16,414**	**14.1%**	20,794	17.8%	-21.1%
South Western China	**16,362**	**14.0%**	17,958	15.4%	-8.9%
Southern China	**41,578**	**35.6%**	31,831	27.3%	30.6%
Hong Kong and Macau	**2,195**	**1.9%**	3,082	2.6%	-28.8%
Total	**116,670**		116,750		-0.1%

The sales in the North Western, Northern and Southern China for the six months ended 30 June 2018 accounted for 69.0% (six months ended 30 June 2017: 60.1%) of the total revenue generated by menswear, which was mainly attributable to the fact that ***V.E. DELURE*** retail stores were located in major cities such as Shanghai, Beijing and Guangzhou, where the targeted ***V.E. DELURE*** customers are relatively more affluent with strong purchasing power.

Turnover by Product (self-operated stores only)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Menswear		
Apparel[(1)]	**91,268**	94,134
Accessories[(2)]	**3,576**	4,043
	94,844	98,177

	Six months ended 30 June	
	2018	2017
	Unit sold (pcs)	Unit sold (pcs)
Sales Volume		
Menswear		
Apparel[(1)]	**83,651**	108,693
Accessories[(2)]	**5,142**	16,380

	Six months ended 30 June	
	2018	2017
	RMB	RMB
Average Selling Price		
Menswear		
Apparel[(1)]	**1,091**	866
Accessories[(2)]	**695**	247

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 6.1% during the six months ended 30 June 2018 to approximately RMB64,734,000 (six months ended 30 June 2017: RMB68,924,000), 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 RMB13,764,000 or 14.7%, from approximately RMB93,636,000 for the six months ended 30 June 2017 to approximately RMB79,872,000 for the same period of 2018.

During the six months ended 30 June 2018, 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 2.4 percentage points in gross profit margin from 57.6% for the six months ended 30 June 2017 to 55.2% for the same period of 2018.

Other Income and Gains

During the six months ended 30 June 2018, other income and gains mainly consisted of foreign exchange gains of approximately RMB2,689,000 (six months ended 30 June 2017: Nil) and rental income of approximately RMB1,585,000 (six months ended 30 June 2017: Nil).

During the six months ended 30 June 2018, the Group has entered into operating lease arrangements with independent third parties to lease its investments properties in the PRC in order to increase the Group's income sources. The terms of the lease agreements were negotiated on an arm's length basis with reference to the prevailing market rent for comparable premises in the vicinity.

Selling and Distribution Expenses

For the six months ended 30 June 2018, selling and distribution expenses primarily represented concessionaire commission to shopping malls and department stores of approximately RMB35,595,000 (six months ended 30 June 2017: RMB39,677,000), advertising and promotion expenses of approximately RMB6,618,000 (six months ended 30 June 2017: RMB7,327,000), and staff costs of approximately RMB18,946,000 (six months ended 30 June 2017: RMB26,611,000). During the six months ended 30 June 2018, the total selling and distribution expenses represented about 62.2% (six months ended 30 June 2017: 68.0%) of the total turnover, representing a slight decrease of 5.8 percentage points.

Administrative Expenses

For the six months ended 30 June 2018, administrative expenses decreased from RMB31,643,000 for the six months ended 30 June 2017 to RMB26,087,000, representing a decrease of RMB5,556,000 or 17.6% as compared to the same period of last year. The decrease in administrative expenses was mainly due to the decrease in staff costs. During the six months ended 30 June 2018, administrative expenses accounted for 18.0% (six months ended 30 June 2017: 19.5%) of turnover.

Finance Costs

Finance costs for the six months ended 30 June 2018 mainly represented interest expenses on interest-bearing bank and other borrowings.

Effective Tax Rate

During the six months ended 30 June 2018, the effective tax rate of the Group amounted to 6.8% (six months ended 30 June 2017: –11.7%).

Loss Attributable to Ordinary Equity Holders of the Company

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB51,433,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: loss attributable to ordinary equity holder of the Company of RMB78,799,000) and net loss margin for the six month ended 30 June 2018 of 35.6% as compared to a net loss margin of 48.5% for the six month ended 30 June 2017. Basic and diluted loss per share of RMB5.4 cents was recorded for the six months ended 30 June 2018 (six months ended 30 June 2017: basic and diluted loss per share of RMB8.3 cents). The loss was mainly attributable to (i) the decrease in revenue; and (ii) non-cash write-down of inventories.

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 positive same store sales growth for the self-operated stores business of 14.9% for the first half of 2018.

Retail and Distribution Network

Number of stores of proprietary brands by region

	As at 30 June 2018	As at 31 December 2017
Central China	**12**	14
North Eastern China	**4**	11
Eastern China	**16**	18
North Western China	**12**	25
Northern China	**22**	29
South Western China	**19**	22
Southern China	**23**	30
Hong Kong and Macau	**1**	2
	109	151

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.

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 2018, the Group had a total of 109 stores in 22 provinces and autonomous regions, covering 60 cities in China. There were 47 self-operated stores in 15 cities in China.

In addition, the total number of distributors of the Group amounted to 62, which operated franchised stores of ***V.E. DELURE*** in 45 cities.

Number of stores of proprietary brands by city tier

	As at 30 June 2018	As at 31 December 2017	Changes
Self-operated stores			
First-tier	**9**	12	-3
Second-tier	**30**	36	-6
Third-tier	**7**	8	-1
Fourth-tier	**1**	2	-1
	47	58	-11
Franchised stores			
First-tier	**–**	–	–
Second-tier	**14**	17	-3
Third-tier	**39**	56	-17
Fourth-tier	**9**	20	-11
	62	93	-31
	109	151	-42

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

As at 30 June 2018, the number of menswear self-operated stores decreased from 58 as at 31 December 2017 to 47 as a result of the consolidation of inefficient stores. Franchised stores operated by the distributors of the Group decreased from 93 as at 31 December 2017 to 62 as at 30 June 2018.

As at 30 June 2018, the total area of self-operated stores was approximately 9,597 square meters (31 December 2017: 12,147 square meters), representing a decrease of 21.0% as compared to the total area of self-operated stores as at 31 December 2017.

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. For the six months ended 30 June 2018, the Group has generated revenue from the sales of the following 10 international fashion brands:

Brand portfolio

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

As at the date of this report, the Group has 2 mono-brand retail stores in Hong Kong 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 5 ***Kissocool*** concept stores in the PRC and Hong Kong as at the date of this report.

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

Brands	Shops Location
Diesel Kids	Hong Kong Sogo Causeway Bay ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Dsquared2	China Qingdao Hisense Plaza ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Fendi Kids	China Hangzhou MixCity China Qingdao Hisense Plaza ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Kenzo Kids	Hong Kong Sogo Causeway Bay
Mini Rodini	Hong Kong Sogo Causeway Bay ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Qingdao Hisense Plaza ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Paul Smith Junior	Hong Kong Sogo Causeway Bay ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Qingdao Hisense Plaza ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***

Brands	Shops Location
Roberto Cavalli Junior	Hong Kong Sogo Causeway Bay ***(Kissocool)*** Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Qingdao Hisense Plaza ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Sonia Rykiel Paris	Hong Kong Sogo Causeway Bay ***(Kissocool)*** Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax ***(Kissocool)*** China Qingdao Hisense Plaza ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Simonetta	Hong Kong Sogo Causeway Bay ***(Kissocool)*** Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax ***(Kissocool)*** China Qingdao Hisense Plaza ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Trussardi Junior	Hong Kong Sogo Causeway Bay ***(Kissocool)*** Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax ***(Kissocool)*** China Qingdao Hisense Plaza ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***

For the six months ended 30 June 2018, the Group's high-end children's wear and accessories product segment recorded a revenue of RMB16,425,000 and a net loss of RMB13,996,000.

Sales Fair

V. E. DELURE 2018 Fall and Winter collections sales fair was held in March 2018. The total orders from franchised stores operated by the distributors of the Group decreased by 3% as compared to that of last year. Delivery of the orders commenced in August 2018.

V. E. DELURE 2019 Spring and Summer collections sales fair was held in July 2018. The total orders from franchised stores operated by the distributors of the Group increased by 4% as compared to that of last year, mainly because the distributors were generally positive towards the retail market in the PRC in the coming future. Delivery of the orders will commence in January 2019.

Inventory Management

The Group has an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distribution network, without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store and distributor. Moreover, orders made by the distributors are distributed proportionally into the first batch of order placed at the sales fair and the supplemental order placed following the commencement of the season. The inventory turnover days of the Group decreased from 499 days as at 31 December 2017 to 407 days as at 30 June 2018, representing a reduction of 92 days. The inventory turnover enhancement was achieved gradually through various effective inventory management measures to boost the sales of aged inventory in such channels as outlets, temporary promotional sales fair and online business platform. The inventory balance decreased from RMB160,746,000 as at 31 December 2017 to RMB130,181,000 as at 30 June 2018. 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 2018, the total expenditure of the Group in advertising and promotional activities amounted to approximately RMB6,618,000 (six months ended 30 June 2017: RMB7,327,000), which accounted for approximately 4.6% (six months ended 30 June 2017: 4.5%) of the total turnover of the Group. The Group will strive to maintain the ratio within 5% whilst promoting the brands in an effective approach.

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

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

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

Product Design and Development

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

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

The Group also recruited experienced design talents to bring in fresh inspiration for innovation to further diversity product portfolio and increase product competitiveness. The Group has experienced innovative and independent design teams for ***V.E. DELURE***, which were led by experienced chief supervisors with extensive design experience in the industry.

Working Capital Management

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

Inventory turnover days was 407 days as at 30 June 2018, representing a decrease of 92 days as compared to 499 days as at 31 December 2017.

Trade receivables represented the receivables for goods sold to the distributors for franchised stores and the receivables from department stores and shopping malls for self-operated stores. Trade receivables turnover days decreased from 91 days as at 31 December 2017 to 81 days as at 30 June 2018.

Trade payables represented payables to suppliers and outsourced manufacturers. Trade payables turnover days was 43 days as at 30 June 2018 which was the same as at 31 December 2017.

Use of Proceeds

The shares of the Company (the "Shares") were listed on the Main Board of 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 2018, 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 2018) RMB'million	Unutilised amount (as at 30 June 2018) RMB'million
Expansion and improvement of retail network	45%	457.8	457.8	–
Developing independent lines of branded apparels and accessories under ***V.E. DELURE*** brand	10%	101.7	101.7	–
Acquisitions or licensing of additional brands	20%	203.5	–	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

Liquidity and Financial Resources

As at 30 June 2018, the Group had cash and cash equivalents of RMB486,021,000 (31 December 2017: RMB434,403,000). As at 30 June 2018, the balance of aggregate principal of unlisted corporate bonds issued by the Company amounted to HK$201,200,000 (equivalent to approximately RMB169,873,160) 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 2018, the interest-bearing bank and other borrowings amounted to RMB327,893,000 (31 December 2017: RMB293,163,000), which were denominated in RMB, Hong Kong dollars and Euros, with maturity from one year to eight years or on demand and bore effective interest rate ranging from 3.34% to 12.85% per annum (31 December 2017: 2.55% to 12.85% per annum). The gearing ratio is calculated by dividing net debt by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals 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 2018 and 31 December 2017.

Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

Pledge of Assets

As at 30 June 2018, certain buildings and investment properties, which had aggregate carrying value of approximately RMB96,486,000 and RMB293,887,000, respectively (31 December 2017: RMB340,542,000 and Nil, respectively) 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 2018, the total number of full-time employees of the Group was 420. The total staff costs for the six months ended 30 June 2018 amounted to approximately RMB29,201,000 (six months ended 30 June 2017: RMB36,367,000).

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

Prospects

In view of the persistent economic restructuring and reform in China, the outlook of retail sector in the second half of 2018 still remains uncertain and tough. However, as the Chinese government continues to stimulate domestic consumption to support economic growth, domestic consumption will remain as the core contributor to GDP growth and it is expected that the retail industry will achieve healthy and sustainable growth in the long run.

Despite the challenging business environment in the menswear industry, the Group will continue to invest resources in refining market strategy for brand building, reinforcing customer loyalty by organising marketing events and enhancing product quality and design to increase the competitiveness of its products and brands. Furthermore, the Group will continue to enhance its retail network prudently to prepare for the long-term development. The Group plans to open approximately 15 self-operated stores and 5 franchised stores for menswear business in the second half of 2018. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the operational efficiency. Our effort on inventory management in the first half of 2018 brought the stock level down from RMB160.7 million as at 31 December 2017 to RMB130.2 million as at 30 June 2018. The Group will continue to implement a series of measures including outlets, temporary promotional sales fair and online business platform to speed up the process of selling aged inventories. Given that (i) domestic consumption will remain as the core contributor to GDP growth and (ii) it is expected that there will be continuous increase in domestic household income and the pursuit for high quality products by middle-class income consumers, the Group will continue to adopt a prudent and responsive business strategy to maintain its advantageous position in the high-end menswear market in Mainland China. The Group is confident in the steady and healthy development of menswear market in Mainland China, especially that of the mid-end to high-end segments.

As at the date of this report, the Group has 2 mono-brand retail stores and 5 ***Kissocool*** in Hong Kong and Mainland China for the children's wear and accessories products of high-end international fashion brands. The Group will adopt a cautiously optimistic view when it discusses with a number of shopping mall operators in Mainland China and extends its retail network in Mainland China in the near future.

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

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

As at 30 June 2018, the interests or short positions of the Directors, the chief executives of the Company (the "Chief Executives") and their associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Notes:

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

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

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

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

Save as disclosed above, as at 30 June 2018, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

(a) Purpose

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

(b) Participants

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

(c) Total number of Shares available for issue

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

(d) Maximum entitlement of each participant

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

(e) Option period

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

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

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

(g) Consideration on acceptance of the option

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

Share Option Scheme *(Continued)*

(h) Basis of determining the subscription price

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

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

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

(iii) the nominal value of the Shares.

(i) Remaining life of the New Share Option Scheme

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

Particulars and movements of share options granted under the New Share Option Scheme during the six months ended 30 June 2018 were as follows:

				Number of share options					
Name or Category of Grantees	Date of grant	Exercise price per Share (HK$)	Exercise period	Outstanding as at 1 January 2018	Granted during the six months ended 30 June 2018	Exercised during the six months ended 30 June 2018	Lapsed/ forfeited during the six months ended 30 June 2018	Outstanding as at 30 June 2018	Closing price of the Shares immediately before the grant date (HK$ per share)
Executive Directors:									
Chan Yuk Ming	23/01/2015	0.78	30/04/2016–30/04/2021	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2017–30/04/2022	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	1,000,000	–	–	–	1,000,000	0.78
Chen Yunan	23/01/2015	0.78	30/04/2016–30/04/2021	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2017–30/04/2022	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	1,000,000	–	–	–	1,000,000	0.78
Chen Minwen	23/01/2015	0.78	30/04/2016–30/04/2021	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2017–30/04/2022	1,000,000	–	–	–	1,000,000	0.78
	23/01/2015	0.78	30/04/2018–30/04/2023	1,000,000	–	–	–	1,000,000	0.78
Independent non-executive Directors:									
Cheng King Hoi, Andrew	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	–	–	–	900,000	0.78
Fong Wo, Felix	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	–	–	–	900,000	0.78
Subtotal				10,800,000	–	–	–	10,800,000	

Share Option Scheme *(Continued)*

Name or Category of Grantees	Date of grant	Exercise price per Share (HK$)	Exercise period	Number of share options: Outstanding as at 1 January 2018	Granted during the six months ended 30 June 2018	Exercised during the six months ended 30 June 2018	Lapsed/ forfeited during the six months ended 30 June 2018	Outstanding as at 30 June 2018	Closing price of the Shares immediately before the grant date (HK$ per share)
Employees (in aggregate)	23/01/2015	0.78	30/04/2016–30/04/2021	4,450,000	–	–	–	4,450,000	0.78
			30/04/2017–30/04/2022	3,600,000	–	–	–	3,600,000	0.78
			30/04/2018–30/04/2023	2,850,000	–	–	(50,000)	2,800,000	0.78
Subtotal				10,900,000	–	–	(50,000)	10,850,000	
Other Grantees	23/01/2015	0.78	30/04/2015–30/04/2020	900,000	–	–	–	900,000	0.78
Total				22,600,000	–	–	(50,000)	22,550,000	

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

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

Share Award Plan

The Share Award Plan was adopted by the Board on 27 August 2013 ("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 2018, 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 2018.

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.

Share Award Plan *(Continued)*

(c) Maximum limit

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

(d) Operation

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

On 30 April 2016, 3,620,000 Share awards were vested. As at 30 June 2018, there was no outstanding share award under the Share Award Plan.

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

As at 30 June 2018, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of substantial shareholder	Long/ Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming	Long position	Founder of a discretionary trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 2)*	30,200,773	3.18%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Yunan	Long position	Beneficiary of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Minwen	Long position	Beneficiary of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Mianna	Long position	Beneficial owner *(Note 4)*	45,543,636	4.80%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Evisu	Long position	Trustee of a trust *(Note 1)*	483,934,814	51.00%
Pacific Success	Long position	Beneficial owner *(Note 1)*	483,934,814	51.00%
Xie Zhi Xian	Long position	Beneficial owner *(Note 5)*	91,320,904	9.62%

Notes:

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

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

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

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

5. These 91,320,904 Shares were held directly by Miss Xie Zhi Xian.

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

Save as disclosed above, as at 30 June 2018, the Company has not been notified by any person (other than the Directors or the Chief Executives) who had interests or short positions in the Shares or underlying Shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Interim Dividend

No interim dividend was proposed by the Board for the six months ended 30 June 2018.

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 2018.

Corporate Governance

In the opinion of the Directors, during the six months ended 30 June 2018, 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Specific enquiry 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 2018.

No incident of non-compliance of the written guidelines governing the securities transactions by employees who are likely to be in possession of inside information of the Company by the employees was noted by the Company during the six months ended 30 June 2018.

Change of Director's/Chief Executive's Information

Mr. Fong Wo, Felix, an independent non-executive Director, has been resigned as an independent non-executive director of China Investment Development Limited (HKEx stock code: 204), a company listed on the main board of the Stock Exchange, with effect from 23 July 2018.

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 2018 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
28 August 2018

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 27 to 55, which comprise the interim condensed consolidated statement of financial position as at 30 June 2018, 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

28 August 2018

INTERIM CONDENSED CONSOLIDATED
STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
REVENUE FROM CONTRACTS WITH CUSTOMERS	*4*	**144,606**	162,560
Cost of sales		**(64,734)**	(68,924)
Gross profit		**79,872**	93,636
Other income and gains	*5*	**6,127**	13,164
Selling and distribution expenses		**(89,962)**	(110,534)
Administrative expenses		**(26,087)**	(31,643)
Other expenses		**(13,056)**	(23,479)
Finance costs	*7*	**(12,109)**	(11,675)
LOSS BEFORE TAX	*6*	**(55,215)**	(70,531)
Income tax credit/(expense)	*8*	**3,782**	(8,268)
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**(51,433)**	(78,799)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*9*	**RMB(5.4) cents**	RMB(8.3) cents

INTERIM CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	**(51,433)**	(78,799)
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Exchange differences on translation of operations outside Mainland China	**(5,216)**	10,781
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**(5,216)**	10,781
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Changes in fair value of equity instruments at fair value through other comprehensive income ("FVOCI")	**639**	–
Gains on property revaluation	**77,626**	–
Income tax effect	**(19,406)**	–
	58,220	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**58,859**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**53,643**	10,781
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**2,210**	(68,018)

INTERIM CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**107,047**	354,943
Investment properties	12	**316,715**	–
Prepaid land lease payment		**44,643**	45,124
Goodwill		**1,880**	1,880
Other intangible asset		**3,884**	3,845
Long term lease prepayment		**61,805**	62,596
Available-for-sale investments		**–**	36,800
Equity instruments at fair value through other comprehensive income	13	**26,773**	–
Equity instrument at fair value through profit or loss	14	**–**	–
Deferred tax assets		**22,713**	18,921
Total non-current assets		**585,460**	524,109
CURRENT ASSETS			
Inventories	15	**130,181**	160,746
Trade receivables	16	**50,501**	79,506
Prepayments, deposits and other receivables	17	**36,831**	38,048
Tax recoverable		**2,769**	2,974
Cash and cash equivalents	18	**486,021**	434,403
Total current assets		**706,303**	715,677
CURRENT LIABILITIES			
Trade payables	19	**13,579**	17,310
Other payables and accruals	20	**48,337**	56,372
Amount due to the ultimate holding company		**8,458**	–
Interest-bearing bank and other borrowings	21	**216,882**	160,686
Tax payable		**1,614**	2,856
Total current liabilities		**288,870**	237,224
NET CURRENT ASSETS		**417,433**	478,453
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,002,893**	1,002,562
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	21	**111,011**	132,477
Deferred tax liabilities		**19,406**	–
Total non-current liabilities		**130,417**	132,477
Net assets		**872,476**	870,085
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	22	**829**	829
Reserves		**871,647**	869,256
Total equity		**872,476**	870,085

INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Note	Attributable to ordinary equity holders of the Company													
		Issued capital RMB'000 (note 22)	Share premium account RMB'000	Shares held for the Share Award Plan RMB'000	Acquisition reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Capital redemption reserve RMB'000	Assets Revaluation surplus RMB'000	Fair value reserve of financial assets at FVOCI RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018 (audited)		829	519,800	(26)	2,639	1,072	79,791	28	–	–	(32,865)	5,394	(3,097)	296,520	870,085
Loss for the period		–	–	–	–	–	–	–	–	–	–	–	–	(51,433)	(51,433)
Other comprehensive income/(loss) for the period:															
Changes in fair value of equity instruments at FVOCI		–	–	–	–	–	–	–	–	639	–	–	–	–	639
Revaluation of investment properties, net of tax *(note 12)*		–	–	–	–	–	–	–	58,220	–	–	–	–	–	58,220
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	–	–	(5,216)	–	–	–	(5,216)
Total comprehensive loss for the period		–	–	–	–	–	–	–	58,220	639	(5,216)	–	–	(51,433)	2,210
Equity-settled share option scheme	23	–	–	–	–	–	–	–	–	–	–	181	–	–	181
At 30 June 2018 (unaudited)		829	519,800*	(26)*	2,639*	1,072*	79,791*	28*	58,220*	639*	(38,081)*	5,575*	(3,097)*	245,087*	872,476

* These reserve accounts comprise the consolidated reserves of RMB871,647,000 (31 December 2017: RMB869,256,000) in the interim condensed consolidated statement of financial position.

	Note	Attributable to ordinary equity holders of the Company											
		Issued capital RMB'000 (note 22)	Share premium account RMB'000	Shares held for the Share Award Plan RMB'000	Acquisition reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 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 loss 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	23	–	–	–	–	–	–	–	–	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

INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(55,215)**	(70,531)
Adjustments for:			
Finance costs	*7*	**12,109**	11,675
Foreign exchange loss/(gain)		**(2,986)**	9,719
Bank interest income	*5*	**(909)**	(10,981)
Depreciation	*6*	**9,275**	13,618
Impairment of trade receivables	*6*	**774**	3,327
Impairment of other receivables	*6*	**1,654**	–
Write-down of inventories to net realisable value	*6*	**10,371**	9,566
Amortisation of a long term lease prepayment	*6*	**791**	791
Recognition of a prepaid land lease payment	*6*	**481**	481
Equity-settled share option expense	*6*	**181**	731
		(23,474)	(31,604)
Decrease in inventories		**20,062**	12,135
Decrease in trade receivables		**28,228**	23,732
Increase in prepayments, deposits and other receivables		**(457)**	(4,264)
Decrease in trade payables		**(3,738)**	(1,377)
Increase in other payables and accruals		**2,337**	5,733
Cash generated from operations		**22,958**	4,355
Interest received		**909**	23,040
Interest element of finance lease rental payments		**(6)**	–
Mainland China corporate income tax paid		**(1,037)**	(1,678)
Hong Kong profits tax paid		**(10)**	(517)
Net cash flows from operating activities		**22,814**	25,200

INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Net cash flows from operating activities		**22,814**	25,200
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(4,182)**	(1,748)
Proceeds from disposal of items of property, plant and equipment		**–**	206
Return of an investment in equity instrument at fair value through other comprehensive income		**10,666**	–
Decrease in time deposits and pledged deposits		**–**	521,920
Net cash flows from investing activities		**6,484**	520,378
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**114,000**	96,584
Repayment of bank loans		**(82,046)**	(171,986)
Proceed from issue of corporate bonds		**–**	80,536
Repayment of corporate bonds		**(1,626)**	(3,930)
Increase in an amount due to the ultimate holding company		**8,458**	–
Capital element of finance lease rental payments		**(58)**	–
Interest paid		**(15,944)**	(8,740)
Net cash flows from/(used in) financing activities		**22,784**	(7,536)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**52,082**	538,042
Cash and cash equivalents at beginning of period		**434,403**	120,252
Effect of foreign exchange rate changes, net		**(464)**	(955)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**486,021**	657,339
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	**486,021**	657,339
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and consolidated statement of cash flows		**486,021**	657,339

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

2. 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 2018 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 34 "*Interim Financial Reporting*" issued by the International Accounting Standards Board. 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.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties, equity instruments at fair value through profit or loss ("FVPL"), and equity instruments at fair value through other comprehensive income ("FVOCI"), which have been measured at fair value.

As at 30 June 2018, a subsidiary did not meet a financial covenant requirement of a long term loan provided by a bank in Mainland China. As set out in the respective loan agreement, the bank has the rights to demand for immediate repayment from the subsidiary when it becomes aware of the non-compliance incidence. Management has reported the non-compliance incidence to the bank during the period, however, no waiver was granted by the bank, but no immediate repayment was demanded by the bank up to the date of this report. The outstanding loan balance amounting to approximately RMB56,260,000 (as referred to note 21(d)) was reclassified from long term liability to short term liability as at 30 June 2018 (2017: RMB75,660,000).

In the opinion of the Directors, the going concern assumption to prepare the interim condensed consolidated financial statements is considered to be appropriate because the Group had cash and cash equivalents of RMB486,021,000, net current assets of RMB417,433,000 and net assets of RMB872,476,000 as at 30 June 2018, and unused bank and other borrowings facilities of RMB145,843,000 as at the same date to meet the future operation and funding needs of the Group, respectively.

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 2017.

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

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs", which also include International Accounting Standards ("IASs") and interpretations) that are relevant to the Group's operation for the preparation of the Group's interim condensed consolidated financial statements:

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

Other than as further explained below, the Directors do not anticipate that the application of the new and revised IFRSs above will have a material effect on these interim condensed consolidated financial statements and the disclosure.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption and elected to apply that method to only those contracts that were not completed at the date of initial application. The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 18 and related interpretations, thus the comparative figures have not been restated.

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

Changes in accounting policies and disclosures *(continued)*

IFRS 15 Revenue from Contracts with Customers *(continued)*

The Group mainly engages in the manufacturing and trading of clothing and clothing accessories. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer, generally on delivery of these products, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. The other elements of IFRS 15 were further explained below:

(a) *Performance obligation*

The Group's revenue is measured at the fair value of the consideration received or receivable based on the consideration specified in a contract with a customer for the products. Revenue is shown, net of discounts. Revenue is recognised when the Group satisfies the performance obligation by transferring promised products to its customers.

(b) *Right of return*

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method under IFRS 15.

Prior to the adoption of IFRS 15, the amount of revenue related to the expected returns was deferred and recognised in the statement of financial position by deducting trade receivables and sales with a corresponding adjustment to inventories and cost of sales.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group used the expected value method to estimate the goods that will not be returned. For goods expected to be returned, the Group presented a refund liability as "Refund liabilities" within the account "Other payables and accruals" and an asset for the right to recover products from a customer "Contract assets" within the account "Inventories", respectively.

(c) *Variable considerations*

The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price.

Certain sales contracts of the Group provide customers with rights of return. Under IFRS 15, rights of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

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

Changes in accounting policies and disclosures *(continued)*

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had adopted IFRS 9 from 1 January 2018. The Group did not restate comparative information and recognised any material transition adjustments against the opening balance of equity at 1 January 2018.

Financial assets

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(b) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (FVPL)

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

Changes in accounting policies and disclosures *(continued)*

IFRS 9 Financial Instruments *(continued)*

Financial assets (continued)

(b) Subsequent measurement *(continued)*

(i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and financial assets included in prepayments, deposits and other receivables.

(ii) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(iii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

Changes in accounting policies and disclosures *(continued)*

IFRS 9 Financial Instruments *(continued)*

Financial assets (continued)

(b) Subsequent measurement *(continued)*

(iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

(c) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit losses ("ECL") approach.

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

As at 30 June 2018, the Group has applied the simplified approach and recorded lifetime ECLs on trade receivables, and general approach and recorded 12-month ECLs on financial assets included in prepayments, deposits and other receivables. The Group determined that there are no significant financial impact arising from these changes.

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

Changes in accounting policies and disclosures *(continued)*

IFRS 9 Financial Instruments *(continued)*

Financial assets (continued)

(c) Impairment of financial assets *(continued)*

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals and interest-bearing loans and borrowings.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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

Changes in accounting policies and disclosures *(continued)*

IFRS 9 Financial Instruments *(continued)*

Financial liabilities (continued)

(b) Subsequent measurement *(continued)*

(ii) Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

3. Operating Segment Information

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

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

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

4. Revenue from Contracts with Customers

Set out below is the Group's revenue from contracts with customers:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	**144,606**	162,560

The Group recognised impairment losses on receivables arising from contracts with customers, included under "Other expenses" in the statement of profit or loss, amounting to RMB774,000 and RMB3,327,000 for the six months ended 30 June 2018 and 2017, respectively.

5. Other Income and Gains

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Rental income	**1,585**	–
Investment income	**–**	1,855
Foreign exchange gains	**2,689**	–
Bank interest income	**909**	10,981
Others	**944**	328
	6,127	13,164

6. Loss Before Tax

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

		Six months ended 30 June	
		2018	2017
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Cost of inventories sold		**64,734**	68,924
Depreciation	*11*	**9,275**	13,618
Recognition of prepaid land lease payment		**481**	481
Amortisation of long term lease prepayment		**791**	791
Operating lease rental expense:			
Minimum lease payments		**9,010**	13,582
Contingent rents		**35,595**	39,677
		44,605	53,259
Employee benefit expense:			
Wages and salaries		**26,407**	32,547
Pension scheme contributions		**2,613**	3,089
Equity-settled share option expense	*23*	**181**	731
		29,201	36,367
Write-down of inventories to net realisable value		**10,371**	9,566
Foreign exchange differences, net		**(2,689)**	10,350*
Impairment of trade receivables*		**774**	3,327
Impairment of other receivables*		**1,654**	–

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

7. Finance Costs

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on:		
Interest-bearing bank and other borrowings	**12,109**	11,675

8. Income Tax

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Charge for the period		
Mainland China	**–**	9
Hong Kong	**10**	565
Deferred	**(3,792)**	7,694
Total tax charge/(credit) for the period	**(3,782)**	8,268

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

No profits tax has been provided for profits derived from the Cayman Islands and the BVI in both the six months ended 30 June 2018 and 2017 since the applicable profits tax rate was zero.

No provision for Mainland China profits tax has been made as the Group had no assessable profits arising in Mainland China during the six months ended 30 June 2018. 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, 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 2018 and 2017.

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 2018 and 2017.

No deferred tax provision 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 2018 (the six months ended 30 June 2017: RMB7,591,000).

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

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average numbers of ordinary shares in issue of 948,799,763 (six months ended 30 June 2017: 948,799,763) during the six months ended 30 June 2018, 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 2018 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation	**51,433**	78,799

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue	**948,825,763**	948,825,763
Weighted average number of shares held for the Share Award Plan	**(26,000)**	(26,000)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	**948,799,763**	948,799,763
Effect of dilution — weighted average number of ordinary shares: Share options	**–**	551,613
Adjusted weighted average number of ordinary shares in issue used in the diluted loss per share calculation	**948,799,763**	949,351,376

10. Dividend

No interim dividend was proposed for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB151,812,000).

11. Property, Plant and Equipment

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Opening balance	**354,943**	379,481
Additions	**475**	3,791
Disposals	**–**	(3,358)
Transfer to investment properties *(note 12)*	**(239,089)**	–
Depreciation	**(9,275)**	(24,509)
Exchange realignment	**(7)**	(462)
Closing balance	**107,047**	354,943

At 30 June 2018, certain of the Group's buildings with a net carrying amount of approximately RMB96,486,000 (31 December 2017: RMB340,542,000) were pledged to secure banking facilities granted to the Group (note 21).

12. Investment Properties

	30 June 2018 RMB'000 (Unaudited)
Carrying amount at 1 January	**–**
Transfer from owner-occupied properties *(note 11)*	**239,089**
Revaluation surplus related with the transfer from owner-occupied properties	**77,626**
Carrying amount at 30 June	**316,715**

The Group's investment properties consist of eight commercial properties in Mainland China. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Group's investment properties were valued on 30 June 2018 by Guangzhou Ye Qin Assets Land and Real Estate Appraisal Co., Ltd. (廣州業勤資產評估土地房地產估價有限公司) ("Ye Qin"), independent professionally qualified valuer, at RMB316,715,000. The Group's property manager and the chief financial officer decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for interim financial reporting.

12. Investment Properties *(Continued)*

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 24 to the financial statements.

At 30 June 2018, the Group's investment properties with a carrying value of RMB293,887,000 (31 December 2017: Nil) were pledged to secure general banking facilities granted to the Group (note 21).

Further particulars of the Group's investment properties are included in page 56.

Fair value hierarchy

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

Recurring fair value for measurement for:	Fair value measurement as at 30 June 2018 using Significant observable inputs (Level 1) RMB'000 (Unaudited)
Commercial properties	**316,715**

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

13. Equity Instruments at Fair Value Through Other Comprehensive Income

The Group's equity instruments at FVOCI represented two unlisted equity investments, an equity investment through which the Group subscribed a 16% equity interest in an investment fund in the PRC and an unlisted equity investment through which the Group subscribed a 9.125% interest in an online apparel project company in the PRC. In the opinion of the Directors, the expected recovery values of these two investments are the best approximation of their fair values, which are categorised within Level 3 of the fair value hierarchy.

Below table illustrated the movement in the equity instruments at fair value through other comprehensive income during the period:

	30 June 2018 RMB'000 (Unaudited)
At the beginning of the period	**36,800**
Return of investment	**(10,666)**
Fair value gain on equity instruments at FVOCI	**639**
At the end of the period	**26,773**

14. Equity Instrument at Fair Value Through Profit or Loss

The Group's equity instrument at FVPL represented 29,400,000 quoted ordinary shares of Fujian Nuoqi Co., Ltd. ("Nuoqi"), a listed company in Hong Kong, at a cash consideration of RMB50,502,000 subscribed in 2014. Market price of Nuoqi's shares declined significantly after its shares debuted on 9 January 2014 and the trading of Nuoqi's shares has been suspended since 23 July 2014. The Directors considered that the significant and prolonged decline in market value of Nuoqi's shares indicated that the investment has been fully impaired as at 31 December 2014. Trading of Nuoqi's shares continued to be suspended during the six months ended 30 June 2018 and the Directors consider the fair value of these shares to be nil as at 30 June 2018.

15. Inventories

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Raw materials	**3,310**	3,549
Work in progress	**5,306**	3,423
Finished goods	**121,565**	153,774
	130,181	160,746

16. Trade Receivables

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Trade receivables	**58,125**	86,356
Impairment of trade receivables	**(7,624)**	(6,850)
	50,501	79,506

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

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

16. Trade Receivables *(Continued)*

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 1 month	**25,945**	56,674
1 to 3 months	**8,516**	10,696
3 to 6 months	**9,441**	2,094
6 months to 1 year	**4,223**	4,799
Over 1 year	**2,376**	5,243
	50,501	79,506

17. Prepayments, Deposits and Other Receivables

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Deposits and other receivables	**22,270**	32,521
Prepayments	**16,458**	5,770
Current portion of prepaid land lease payment	**962**	962
Impairment of other receivables	**(2,859)**	(1,205)
	36,831	38,048

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

18. Cash and Cash Equivalents

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash at banks and in hand	**486,021**	434,403

19. TRADE PAYABLES

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within 1 month	**979**	7,561
1 to 3 months	**6,422**	5,845
3 to 6 months	**2,252**	1,505
6 months to 1 year	**2,247**	979
Over 1 year	**1,679**	1,420
	13,579	17,310

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

20. Other Payables and Accruals

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contract liabilities	**13,225**	–
Other payables	**31,128**	32,779
Advances from customers	**–**	18,365
Deferred income	**1,729**	1,769
Accruals	**2,139**	3,459
Refund liabilities	**116**	–
	48,337	56,372

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

21. Interest-Bearing Bank and Other Borrowings

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Current		
Bank loans — secured, on demand	**58,033**	82,725
Bank loans — secured, within one year	**124,000**	66,000
Bank loans — unsecured, on demand	**3,002**	4,339
Finance lease payables	**119**	118
Corporate bonds *(note c)*	**31,728**	7,504
	216,882	160,686
Non-current		
Finance lease payables	**179**	237
Corporate bonds *(note c)*	**110,832**	132,240
	111,011	132,477
	327,893	293,163

Notes:

(a) Certain of the Group's bank loans are secured by mortgages over the Group's buildings and investment properties, which had aggregate carrying value at the end of the reporting period of approximately RMB96,486,000 and RMB293,887,000, respectively (31 December 2017: RMB 340,542,000 and Nil, respectively).

(b) As at 30 June 2018, 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 3.34% to 7.09% per annum. (31 December 2017: from 2.55% to 6.55% per annum).

21. Interest-Bearing Bank and Other Borrowings *(Continued)*

Notes: (continued)

(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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Opening balance	**139,744**	56,211
Issuance during the period/year	**–**	114,711
Transaction costs	**–**	(23,496)
Interest charged	**7,798**	12,904
Interest payable included in other payables and accruals	**(4,813)**	(8,090)
Repayment	**(1,626)**	(5,632)
Exchange realignment	**1,457**	(6,864)
Closing balance	**142,560**	139,744
Portion classified as current liabilities	**31,728**	7,504
Non-current portion	**110,832**	132,240

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

(d) As at 30 June 2018 the Group did not meet a financial loan covenant and the respective cash loans would become callable on demand. The outstanding loan balance amounting to approximately RMB56,260,000 was recorded as current liabilities as at 30 June 2018 (31 December 2017: RMB75,660,000). As at the date of this report, the Group had yet to obtain waivers from the bank and no demand for immediate repayment was made in respect of the relevant cash loans.

22. Share Capital

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Issued and fully paid:		
948,825,763 (31 December 2017: 948,825,763) ordinary shares of HK$0.001 each	**829**	829

23. Share Option Scheme

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

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

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

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

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.

23. Share Option Scheme *(Continued)*

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.

The following share options were outstanding under the New Share Option Scheme during the six months ended 30 June 2018 and 2017:

	Six months ended 30 June			
	2018		2017	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.78**	**22,600**	0.78	29,750
Forfeited during the period	**0.78**	**50**	0.78	(900)
At 30 June	**0.78**	**22,550**	0.78	28,850

During the six months ended 30 June 2018, no share options were exercised or cancelled under the New Share Option Scheme.

23. Share Option Scheme *(Continued)*

The exercise prices and exercise periods of the share options outstanding under the New Share Option Scheme as at 30 June 2018 are as follows:

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

The Group recognised a share option expense of RMB181,000 related to the share options under the New Share Option Scheme for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB731,000).

At the date of approval of these interim condensed consolidated financial statements, the Company had 22,550,000 share options outstanding under the New Share Option Scheme, which represented approximately 2.4% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 22,550,000 additional ordinary shares of the Company and additional share capital of HKD23,000 (equivalent to RMB19,000) and share premium of HKD17,566,000 (equivalent to RMB14,831,000) (before the issue expenses).

24. Operating Lease Arrangements

(a) As Lessor

The Group leases its investment properties (note 12) under operating lease arrangements, with leases negotiated for terms ranging from three to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. At 30 June 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2018 RMB'000 (Unaudited)
Within one year	**11,427**
In the second to fifth years, inclusive	**43,990**
Beyond five years, exclusive	**59,037**
	114,454

24. Operating Lease Arrangements *(Continued)*

(b) As Lessee

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 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Within one year	**14,633**	13,177
In the second to fifth years, inclusive	**15,653**	16,574
	30,286	29,751

25. Commitments

In addition to the operating lease commitments detailed in note 24 above, the Group had the following capital commitments at the end of reporting period:

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, provided for:		
Buildings, plant and machinery	**56,306**	56,306
Equity investment	**–**	59,200
	56,306	115,506

26. Related Party Transactions

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	**6,375**	5,407
Pension scheme contributions	**174**	125
Equity-settled share option expense	**144**	478
Total compensation paid to key management personnel	**6,693**	6,010

27. Fair Value and Fair Value Hierarchy of Financial Instruments

The Group's financial assets include equity instrument at fair value through profit or loss (31 December 2017: available-for-sale investments), equity instruments at fair value through other comprehensive income (31 December 2017: available-for-sale investments) and financial assets measured at amortised costs which comprise cash and cash equivalents, trade receivables and financial assets included in prepayments, deposits and other receivables. The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings.

Management has assessed that:

(a) The fair value of the equity instrument at fair value through profit or loss (31 December 2017: available-for-sale investments) has been estimated based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are based on observable market data;

(b) The fair value of the equity instruments at fair value through other comprehensive income (31 December 2017: available-for-sale investments) has been estimated based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data; and

(c) The fair values of the Group's financial assets measured at amortised costs, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings were approximate to their carrying amounts largely due to the short term maturities of these instruments.

There were no transfers of fair value measurements during the six months ended 30 June 2018.

28. 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 28 August 2018.

PARTICULARS OF **PROPERTY**

30 June 2018

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Room 2001, Bravo Plaza, 1th Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
Room 2002, Bravo Plaza, 1th Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
Room 2003, Bravo Plaza, 1th Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
Room 2004, Bravo Plaza, 1th Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
Room 2005, Bravo Plaza, 1th Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
Room 2006, Bravo Plaza, 1th Jin Sui Road, Guangzhou, China	Office	Medium term lease	100%
Room 1801, Bravo Plaza, 1th Jin Sui Road, Guangzhou, China	Office	Long term lease	100%
Room 1901, Bravo Plaza, 1th Jin Sui Road, Guangzhou, China	Office	Long term lease	100%