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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 238)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	2017 *RMB'million*	2016 *RMB'million*	% *Change*
Revenue	**335.5**	421.8	-20.5%
Gross profit	**206.8**	238.7	-13.4%
Loss attributable to ordinary equity holders of the Company	**(139.0)**	(80.4)	72.9%
Basic and diluted loss per share *(RMB cents)*	**14.6**	8.5	71.8%
Gross profit margin	**61.6%**	56.6%	
Net loss margin	**(41.4)%**	(19.1)%	
Effective tax rate	**(8.4)%**	(1.0)%	
Inventory turnover days	**499**	455	
Trade receivables turnover days	**91**	75	
Trade payables turnover days	**43**	31	

The board (the "Board") of directors (the "Directors") of Evergreen International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4	**335,469**	421,839
Cost of sales		**(128,664)**	(183,135)
Gross profit		**206,805**	238,704
Other income and gains	4	**14,788**	35,477
Selling and distribution expenses		**(214,692)**	(256,102)
Administrative expenses		**(59,332)**	(64,596)
Other expenses		**(50,845)**	(18,447)
Finance costs	6	**(24,971)**	(14,668)
LOSS BEFORE TAX	5	**(128,247)**	(79,632)
Income tax expense	7	**(10,731)**	(777)
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**(138,978)**	(80,409)
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Exchange differences on translation of operations outside Mainland China		**27,251**	(22,575)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**27,251**	(22,575)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(111,727)**	(102,984)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	**RMB14.6 cents**	RMB8.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**354,943**	379,481
Prepaid land lease payment		**45,124**	46,086
Goodwill		**1,880**	1,880
Other intangible asset		**3,845**	4,115
Long term lease prepayment		**62,596**	64,178
Available-for-sale investments		**36,800**	36,800
Deferred tax assets		**18,921**	18,157
Total non-current assets		**524,109**	550,697
CURRENT ASSETS			
Inventories	*10*	**160,746**	191,303
Trade receivables	*11*	**79,506**	86,888
Prepayments, deposits and other receivables		**38,048**	57,494
Tax recoverable		**2,974**	–
Time deposits		**–**	500,000
Pledged deposits		**–**	21,920
Cash and cash equivalents		**434,403**	120,252
Total current assets		**715,677**	977,857
CURRENT LIABILITIES			
Trade payables	*12*	**17,310**	12,968
Other payables and accruals		**56,372**	35,549
Interest-bearing bank and other borrowings		**160,686**	295,863
Tax payable		**2,856**	568
Total current liabilities		**237,224**	344,948
NET CURRENT ASSETS		**478,453**	632,909
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,002,562**	1,183,606
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**132,477**	50,910
Total non-current liabilities		**132,477**	50,910
Net assets		**870,085**	1,132,696
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital		**829**	829
Reserves		**869,256**	1,131,867
Total equity		**870,085**	1,132,696

Notes:

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, except for certain equity investment which has been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), except when otherwise indicated.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**335,469**	421,839
Other income and gains		
Dividend income from an available-for-sale investment	**1,855**	–
Foreign exchange gains, net	**–**	20,415
Bank interest income	**11,953**	14,333
Others	**980**	729
	14,788	35,477

5. LOSS BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**128,664**	183,135
Depreciation	**24,509**	32,326
Amortisation of long term lease prepayment	**1,582**	1,582
Recognition of prepaid land lease payment	**962**	641
Operating lease rental expense:		
Minimum lease payments	**26,555**	25,904
Contingent rents	**84,398**	106,447
	110,953	132,351
Auditors' remuneration	**1,855**	1,756
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	**54,862**	63,369
Pension scheme contributions	**5,950**	7,850
Equity-settled share option expense	**403**	906
Equity-settled share award expense	**–**	1,178
	61,215	73,303
Write-down of inventories*	**16,790**	5,496
Loss/(gain) on disposal of items of property, plant and equipment	**3,465**	(36)
Impairment of an investment in an associate*	**–**	7,300
Impairment of leasehold improvements*	**–**	3,931
Impairment of trade receivables*	**5,543**	1,307
Impairment of other receivables*	**1,205**	–
Foreign exchange differences, net	**22,908**	(20,415)

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

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**12,050**	12,228
Interest on bonds payable	**12,904**	2,313
Interest on finance lease	**17**	127
	24,971	14,668

7. INCOME TAX

	2017	2016
	RMB'000	*RMB'000*
Current — Charge for the year		
Hong Kong	**728**	144
Mainland China	**2,289**	845
Withholding tax at 5% on the distributed profits of a Group's PRC subsidiary	**8,478**	–
Deferred	**(764)**	(212)
Total tax charge for the year	**10,731**	777

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

No profits tax has been provided for profits derived from the Cayman Islands and British Virgin Islands in both 2017 and 2016 since the applicable profits tax rate are zero.

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2017.

Macau profits tax has been provided at the rates ranging from 0% to 12% (2016: 0% to 12%) depending on the extent of estimated assessable profits arising in Macau during the years ended 31 December 2017 and 2016.

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2016: 25%) on the taxable profits for the years ended 31 December 2017 and 2016, based on the existing legislation, interpretations and practices in respect thereof.

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Interim — RMB16 cents (2016: nil) per ordinary share	**151,812**	–

The Board did not recommend the payment of final dividend for the year ended 31 December 2017 (2016: nil) to the ordinary equity holders of the Company.

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

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity holders of the Company, and the adjusted weighted average number of shares in issue of 948,799,763 (2016: 946,043,804) during the year ended 31 December 2017, which reflects the ordinary shares held for the share award plan of the Company (the "Share Award Plan") during the year.

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

No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2017 and 2016 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amount presented.

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

	2017	2016
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the Company used in the basic loss per share calculation	**138,978**	80,409

	Number of shares	
	2017	2016
Shares		
Number of ordinary shares in issue	**948,825,763**	948,825,763
Weighted average number of ordinary shares held for the Share Award Plan	**(26,000)**	(2,781,959)
Adjusted weighted average number of ordinary shares in issue used in the basic loss per share calculation	**948,799,763**	946,043,804
Effect of dilution — weighted average number of ordinary shares:		
Share options	**–**	834,995
Adjusted weighted average number of ordinary shares in issue used in the diluted loss per share calculation	**948,799,763**	946,878,799

10. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**3,549**	6,469
Work in progress	**3,423**	2,906
Finished goods	**153,774**	181,928
	160,746	191,303

11. TRADE RECEIVABLES

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

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

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

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**56,674**	56,627
1 to 3 months	**10,696**	11,654
3 to 6 months	**2,094**	9,717
6 months to 1 year	**4,799**	3,442
Over 1 year	**5,243**	5,448
	79,506	86,888

12. TRADE PAYABLES

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

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**7,561**	3,978
1 to 3 months	**5,845**	3,254
3 to 6 months	**1,505**	3,096
6 months to 1 year	**979**	598
Over 1 year	**1,420**	2,042
	17,310	12,968

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2017, the global economy continued to be complicated and volatile. According to the National Bureau of Statistics of China, the growth rate of gross domestic product ("GDP") of 2017 grew by 6.9%, reversing a downward growth trend for the first time since 2010, well above the government annual target of around 6.5%. The total retail sales of consumer goods in China amounted to RMB36.6 trillion, representing an increase of 10.2% compared with that of 2016. However, the growth rate was 0.2 percentage point lower than that of the previous year. The total retail sales of consumer goods realised in urban area amounted to RMB31.4 trillion, representing an increase of 10%, which was 0.4 percentage point lower than that of the previous year. Moreover, the total sales of garments, footwear, hats and knitwear amounted to RMB1.5 trillion, representing an increase of 7.8%, which was 0.8 percentage points higher than the increase in the previous year.

However, the operating environment of the retail sector, in particular the premium menswear industry, remained tough and sluggish in 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 the 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 year, 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 underperforming 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 had been actively looking for other investment opportunities so as to diversify its income and returns.

Financial Review

During the year ended 31 December 2017, the Group recorded an aggregate turnover of approximately RMB335,469,000 (2016: RMB421,839,000), representing a decrease of approximately 20.5% compared with that of the previous year. Gross profit decreased from RMB238,704,000 for the year ended 31 December 2016 to RMB206,805,000 for the year ended 31 December 2017, representing a decrease of about 13.4%. Gross profit margin increased from 56.6% for the year ended 31 December 2016 to 61.6% for the year ended 31 December 2017. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB138,978,000 for the year ended 31 December 2017 (2016: a loss of RMB80,409,000) and net loss margin for the year ended 31 December 2017 of 41.4% (2016: net loss margin of 19.1%). The increase in the loss attributable to ordinary equity holders of the Company is mainly attributable to (i) a decrease in sales which led to a reduction in gross profit; (ii) foreign exchange loss; (iii) an increase in non-cash write-down of inventory provision for children's wear; and (iv) an increase in tax expense due to the payment of withholding tax for the distribution of interim dividend in 2017.

Turnover

	2017		2016		Change
	RMB'000	***% of turnover***	*RMB'000*	*% of turnover*	*%*
Proprietary brands					
— Menswear					
Self-operated stores	**204,234**	**60.9%**	270,029	64.0%	-24.4%
Distributors	**43,353**	**12.9%**	82,439	19.5%	-47.4%
	247,587	**73.8%**	352,468	83.5%	-29.8%
Licensed brands	**87,882**	**26.2%**	69,371	16.5%	26.7%
	335,469		421,839		-20.5%

The total turnover of the Group for the year ended 31 December 2017 decreased by 20.5% to approximately RMB335,469,000 (2016: RMB421,839,000). The decrease in turnover was mainly due to the decrease in sales of menswear as a result of the close-down of underperforming stores, amidst the overall weak and sluggish retail market.

Turnover of the Group for the year ended 31 December 2017 comprised sales from self-operated stores of RMB204,234,000 (2016: RMB270,029,000), sales to distributors of RMB43,353,000 (2016: RMB82,439,000), sales from the licensed brand business of RMB87,882,000 (2016: RMB69,371,000), including sales from children's wear and accessories business of RMB44,429,000 (2016: RMB38,664,000).

The aggregate sales from self-operated stores for the year ended 31 December 2017 decreased by 24.4% compared with that of the previous year, and accounted for 60.9% (2016: 64.0%) of the total turnover under the current challenging retail environment. The aggregate sales to distributors for the year ended 31 December 2017 recorded a decrease of 47.4% compared with that in the previous year and accounted for about 12.9% (2016: 19.5%) of the total turnover.

Turnover by Region

	2017		2016		Change
	RMB'000	***% of turnover***	*RMB'000*	*% of turnover*	*%*
Menswear					
Central China	**16,027**	**6.5%**	33,326	9.5%	-51.9%
North Eastern China	**9,446**	**3.8%**	17,577	5.0%	-46.3%
Eastern China	**20,362**	**8.2%**	41,323	11.7%	-50.7%
North Western China	**44,479**	**18.0%**	53,817	15.3%	-17.4%
Northern China	**37,574**	**15.2%**	58,256	16.5%	-35.5%
South Western China	**34,189**	**13.8%**	49,053	13.9%	-30.3%
Southern China	**79,109**	**31.9%**	92,532	26.2%	-14.5%
Hong Kong and Macau	**6,401**	**2.6%**	6,584	1.9%	-2.8%
Total	**247,587**		352,468		-29.8%

The sales in the South Western, Northern and Southern China for the year ended 31 December 2017 accounted for 60.9% (2016: 56.6%) of the total revenue generated by menswear, which was mainly attributable to the fact that ***V.E. DELURE*** retail stores were located in first-tier and second-tier cities, where the targeted ***V.E. DELURE*** customers were relatively more affluent with strong purchasing power.

Turnover by Product (self-operated stores only)

	2017	2016
	RMB'000	*RMB'000*
Menswear		
Apparel[(1)]	**195,550**	259,689
Accessories[(2)]	**8,684**	10,340
	204,234	270,029

	2017	2016
	Unit sold	Unit sold
	pcs	*pcs*
Sales Volume		
Menswear		
Apparel[1]	**195,917**	206,999
Accessories[2]	**32,306**	39,064

	2017	2016
	RMB	*RMB*
Average Selling Price		
Menswear		
Apparel[1]	**998**	1,255
Accessories[2]	**269**	265

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 29.7% for the year ended 31 December 2017 to approximately RMB128,664,000 (2016: RMB183,135,000) which was in line with the decrease in turnover and sales volumes of menswear during the year. During the year, the Group continued to outsource the production process of most of its apparel and accessories products. The Group also purchased products under the licensed brand business, ***CARTIER*** and sourced children's wear and accessories from the licensed international fashion brands. The Group performed sampling, packaging and post-finish processing of the apparel products produced by outsourced manufacturers, and manufactured a small portion of the apparel products in its own plant.

Gross Profit and Gross Profit Margin

The gross profit of the Group decreased by RMB31,899,000 or 13.4%, from RMB238,704,000 for the year ended 31 December 2016 to RMB206,805,000 for the year ended 31 December 2017.

During the year, largely due to the implementation of various cost-saving measures and the closure of underperforming menswear stores and other rationalisation processes, there was an increase of 5.0 percentage points in gross profit margin from 56.6% for the year ended 31 December 2016 to 61.6% for the year ended 31 December 2017.

Other Income and Gains

During the year, other income and gains mainly consisted of bank interest income of RMB11,953,000 (2016: RMB14,333,000).

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of rental and concessionaire commission to shopping malls and department stores of self-operated stores of approximately RMB84,398,000 (2016: RMB106,447,000), advertising and promotion expenses of approximately RMB22,012,000 (2016: RMB22,324,000), and staff costs of approximately RMB47,422,000 (2016: RMB55,678,000). During the year, the selling and distribution expenses represented about 64.0% (2016: 60.7%) of turnover. The decrease in the selling and distribution expense was mainly due to the various cost-saving measures taken by the Group during the year.

Administrative Expenses

Administrative expenses decreased from RMB64,596,000 for the year ended 31 December 2016 to RMB59,332,000 for the year ended 31 December 2017, representing a decrease of 8.1%. During the year, administrative expenses accounted for 17.7% (2016: 15.3%) of turnover. The decrease in administrative expenses was mainly attributable to the decrease in staff costs and legal and professional fees.

Finance Costs

Finance costs for the year ended 31 December 2017 mainly represented interest expenses on interest-bearing bank and other borrowings.

Effective Tax Rate

During the year, the effective tax rate of the Group was -8.4% (2016: -1.0%).

Loss Attributable to Ordinary Equity Holders of the Company

The Group recorded a loss attributable to ordinary equity holders of the Company of RMB138,978,000 for the year ended 31 December 2017 (2016: a loss of RMB80,409,000) and a net loss margin for the year ended 31 December 2017 of 41.4% as compared with a net loss margin of 19.1% for the year ended 31 December 2016. Loss per share of RMB14.6 cents was recorded for the year ended 31 December 2017 (2016: loss per share of RMB8.5 cents). The loss was mainly attributable to (i) a decrease in sales which led to a reduction in gross profit; (ii) foreign exchange loss; (iii) an increase in non-cash write-down of inventory provision for children's wear; and (iv) an increase in tax expenses due to the payment of withholding tax for the distribution of interim dividend in 2017.

Business Review

Proprietary Brands

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

The Group's two proprietary brands, ***V.E. DELURE*** and ***TESTANTIN***, recorded an overall negative same-store sales growth for the self-operated stores business of 7.7% during the year.

Retail and Distribution Network

Number of stores of proprietary brands by region

	2017	2016
Central China	**14**	20
North Eastern China	**11**	18
Eastern China	**18**	25
North Western China	**25**	24
Northern China	**29**	35
South Western China	**22**	26
Southern China	**30**	39
Hong Kong and Macau	**2**	2
	151	189

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

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

As at 31 December 2017, the Group had a total of 151 stores in 26 provinces and autonomous regions, covering 90 cities in China. There were 58 self-operated stores in 20 cities in China.

In addition, the total number of distributors of the Group amounted to 93, which operated franchised stores of ***V.E. DELURE*** in 70 cities.

Number of stores of proprietary brands by city tier

	2017	2016	Changes
Self-operated stores			
First-tier	**12**	18	-6
Second-tier	**36**	46	-10
Third-tier	**8**	19	-11
Fourth-tier	**2**	3	-1
	58	86	-28
Franchised stores			
First-tier	**–**	–	–
Second-tier	**17**	17	–
Third-tier	**56**	63	-7
Fourth-tier	**20**	23	-3
	93	103	-10
	151	189	-38

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

In 2017, the number of menswear self-operated stores decreased from 86 as at 31 December 2016 to 58 as at 31 December 2017 as a result of the consolidation of underperforming stores. Franchised stores operated by the distributors of the Group decreased from 103 as at 31 December 2016 to 93 as at 31 December 2017. As at 31 December 2017, the total area of self-operated stores was approximately 12,147 square meters (2016: 14,740 square meters), representing a decrease of 17.6% compared with that in the previous year.

Licensed International brands

Apart from licensed brand business of ***CARTIER***, the Group commenced the new business segment of high-end children's wear and accessories products in August 2014. As at 31 December 2017, the Group has generated revenue from the sales of 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
Trussadi Junior	Mainland China, Hong Kong

As at the date of this announcement, the Group has 4 mono-brand retail stores in Hong Kong and Mainland China.

In addition, to cater for 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 products from prestigious international brands and created a leisure shopping environment with recreational, entertainment and snack zones for customers. The Group is dedicated to enhancing the ultimate shopping experiences by catering for the desires of each family member under a relaxing shopping environment. This, in turn, can foster a more comprehensive and loyal customer base. The Group believes ***Kissocool*** will further strengthen the brand image and attract more brand owners to establish strategic partnerships. The Group has 6 ***Kissocool*** concept stores in the Mainland China and Hong Kong as at the date of this announcement.

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

Brands	**Shop Location**
Diesel Kids	Hong Kong Sogo Causeway Bay ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Dsquared2	China Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Fendi Kids	China Shenzhen MixCity China Hangzhou MixCity China Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(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 Shanghai Kerry Centre ***(Kissocool)***
Paul Smith Junior	Hong Kong Sogo Causeway Bay ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Roberto Cavalli Junior	Hong Kong Sogo Causeway Bay ***(Kissocool)*** Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax ***(Kissocool)*** China Hangzhou MixCity China Qingdao Hisense Plaza ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***

Brands	**Shop Location**
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 Shanghai Kerry Centre ***(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 Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***
Trussadi Junior	Hong Kong Sogo Causeway Bay ***(Kissocool)*** Hong Kong Kowloon Bay International Trade & Exhibition Centre Emax ***(Kissocool)*** China Shanghai Kerry Centre ***(Kissocool)*** China Hangzhou MixCity ***(Kissocool)*** China Guangzhou La Perle ***(Kissocool)***

For the year ended 31 December 2017, the Group's high-end children's wear and accessories product segment recorded a total revenue of RMB44,429,000 and a net loss of RMB43,137,000.

Sales Fair

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

V.E. DELURE 2018 Fall and Winter collection sales fair was held in March 2018. The total orders from franchised stores operated by the distributors of the Group decreased by 3% compared with that of the previous year. Delivery of the orders will commence in August 2018.

Inventory Management

The Group maintains an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distributors without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store and distributor. Moreover, orders placed by the distributors are distributed proportionally in the first batch of orders placed at the sales fair and the supplemental orders placed following the commencement of the season. During the year, the inventory turnover days of the Group increased from 455 days as at 31 December 2016 to 499 days as at 31 December 2017, representing an increase of 44 days compared with that of the previous year. The inventory balance decreased from RMB191,303,000 as at 31 December 2016 to RMB160,746,000 as at 31 December 2017. The Group will continue to implement a series of measures such as the use of outlets, temporary promotional sales fairs and online business platforms to speed up the process of selling the aged inventories.

Marketing and Promotion

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

In 2017, the total expenditure of the Group on marketing and promotional activities amounted to approximately RMB22,012,000 (2016: RMB22,324,000), accounting for 6.6% (2016: 5.3%) of the turnover. The Group will strive to maintain the ratio within the range of 5%–7% whilst promoting the brands effectively.

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

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

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

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

Product Design and Development

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

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

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

Working Capital Management

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

Inventory turnover days was 499 days as at 31 December 2017, representing an increase of 44 days as compared to 455 days as at 31 December 2016.

Trade receivables represented the receivables for goods sold to the distributors for franchised stores and the receivables from department stores and shopping malls for self-operated stores. Trade receivables turnover days was 91 days as at 31 December 2017 (2016: 75 days).

Trade payables represented payables to suppliers and outsourced manufacturers. Trade payables turnover days increased from 31 days as at 31 December 2016 to 43 days as at 31 December 2017.

Use of Proceeds

The shares of the Company (the "Share") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 November 2010. Net proceeds from the global offering were approximately RMB1,017.4 million (equivalent to approximately HK$1,167.0 million), after deducting the underwriting commission and relevant expenses. As at 31 December 2017, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.

Use of funds raised

	Percentage to total amount	Net proceeds *RMB'million*	Utilised amount (as at 31 December 2017) *RMB'million*	Unutilised amount (as at 31 December 2017) *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 31 December 2017, the Group had cash and cash equivalents of RMB434,403,000 (2016: RMB120,252,000), time deposits of nil (2016: RMB500,000,000) and pledged deposits of nil (2016: RMB21,920,000). As at 31 December 2017, the balance of aggregate principal of unlisted corporate bonds issued by the Company amounted to HK$203,200,000 (equivalent to approximately RMB176,052,000) which will mature on the date immediately following 12 months to 96 months after the first issue date, subject to any early redemption request by the Company. The bonds bear coupon rate ranging from 4.00% to 6.75% per annum, payable semi-annually in arrears. As at 31 December 2017, the Group had interest-bearing bank and other borrowings of an aggregate amount of RMB293,163,000 (2016: RMB346,773,000), which were denominated in RMB, Hong Kong dollars and Euros, with maturity from one year to eight years or on demand and bore effective interest rates ranging from 2.55% to 12.23% per annum (2016: 2.35% to 12.85% per annum). The gearing ratio is calculated by dividing net debt by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables, other payables and accruals less cash and cash equivalents. Capital represents equity attributable to shareholders. The gearing ratio was not applicable as at 31 December 2017 (2016: 19.5%).

Contingent Liabilities

As at 31 December 2017, the Group had no material contingent liabilities.

Pledge of Assets

As at 31 December 2017, deposits of nil (2016: RMB21,912,000) and certain buildings of carrying amount of approximately RMB340,542,000 (2016: RMB262,800,000) were pledged as security for the bank borrowings of the Group.

Exchange Risk

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

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

Employee's Benefits

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

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

As at 31 December 2017, the total number of full-time employees of the Group was 502. The total staff costs (excluding directors' emoluments) for the year ended 31 December 2017 amounted to approximately RMB61,215,000 (2016: RMB73,303,000).

Prospects

In view of the persistent economic restructuring and reform in China, the outlook of retail sector in 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 20 new retail stores for menswear business in 2018, of which approximately 15 are self-operated stores with the remaining 5 being franchised stores. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the operational efficiency. Our effort on inventory management in 2017 brought the stock level down from RMB191.3 million as at 31 December 2016 to RMB160.7 million as at 31 December 2017. The Group will continue to implement a series of measures including outlets, temporary promotional sales fair and online business platform to speed up the process of selling the aged inventories. Given that (i) domestic consumption will remain as the core contributor to GDP growth and (ii) it is expected that there will be continuous increase in domestic household income and the pursuit for high quality products by middle-class income consumers, the Group will continue to adopt a prudent and responsive business strategy to maintain its advantageous position in the high-end menswear market in Mainland China. The Group is confident in steady and healthy development of menswear market in Mainland China, especially that of the mid-end to high-end segments.

As at the date of this announcement, the Group has 4 mono-brand retail stores and 6 ***Kissocool*** in Hong Kong and Mainland China for the children's wear and accessories products of high-end international fashion brands. The Group will adopt a cautiously optimistic view when it discusses with a number of shopping malls operators in Mainland China and extends its retail network in Mainland China in coming future.

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

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of shareholders of the Company to attend and vote at the annual general meeting of the Company to be held on Thursday, 7 June 2018 (the "2018 AGM"), the register of members of the Company will be closed from Monday, 4 June 2018 to Thursday, 7 June 2018, both days inclusive. In order to qualify for attending and voting at the 2018 AGM, all transfer documents together with the relevant share certificates should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 1 June 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company complied with all the code provisions set out in the CG Code during the year ended 31 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. Specific enquiry was made to all the Directors and all the Directors confirmed that they complied with the Model Code throughout the year ended 31 December 2017.

No incident of non-compliance of the written guidelines governing the securities transactions by employees who are likely to be in possession of inside information of the Company by the employees was noted by the Company during the year ended 31 December 2017.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members, namely Mr. Ng Wing Fai (chairman), Mr. Fong Wo, Felix and Mr. Cheng King Hoi, Andrew, all are independent non-executive Directors. The annual results of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's results for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Ernst & Young, Certified Public Accountants of Hong Kong ("Ernst & Young") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement of results.

FORWARD LOOKING STATEMENTS

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

ANNUAL GENERAL MEETING

The 2018 AGM of the Company will be held on Thursday, 7 June 2018, and the notice of the 2018 AGM will be published and dispatched in the manner as required by the Listing Rules in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The 2017 annual report will also be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.evergreen-intl.com and will be dispatched to the shareholders of the Company.

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

Hong Kong, 27 March 2018

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