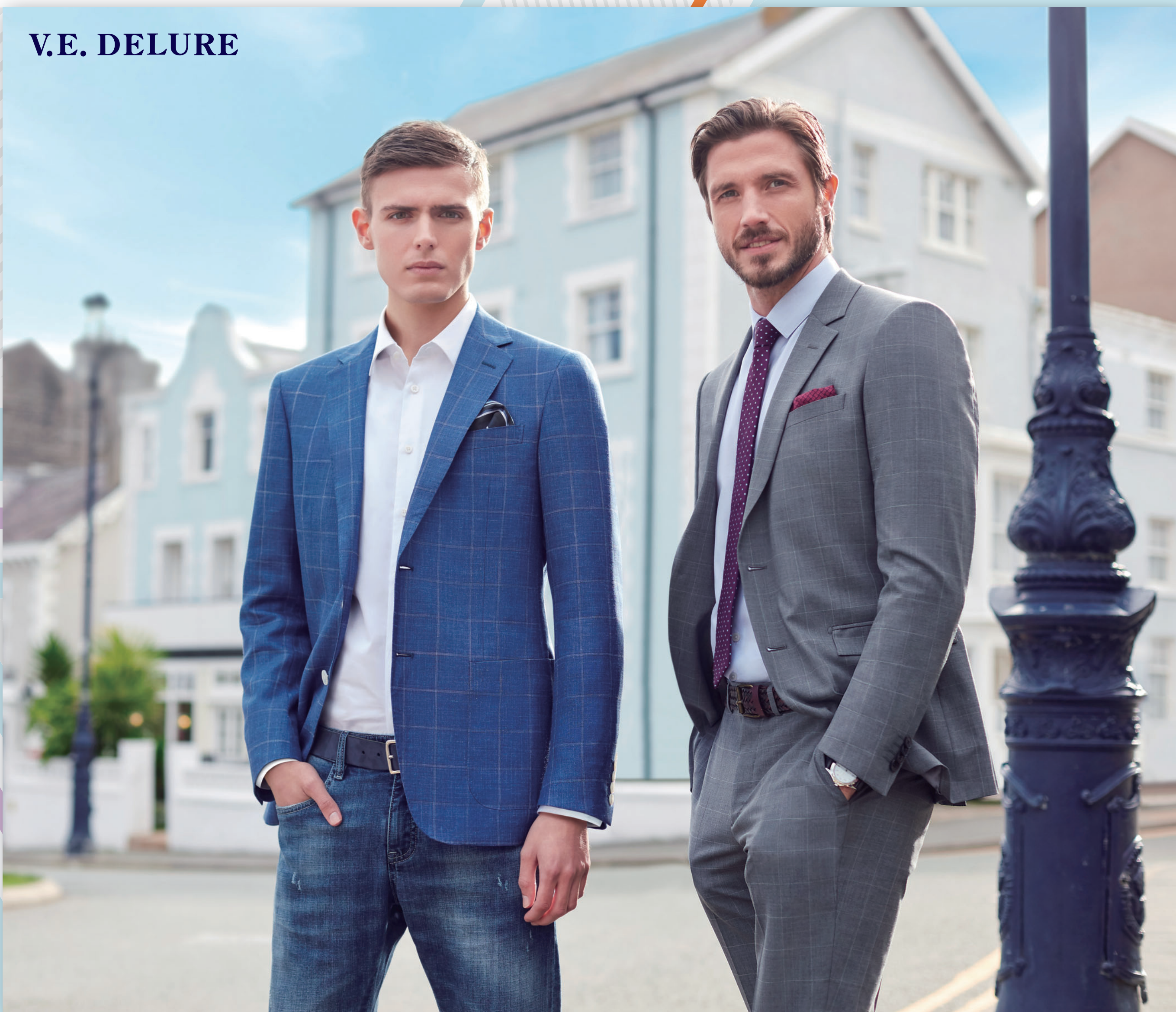
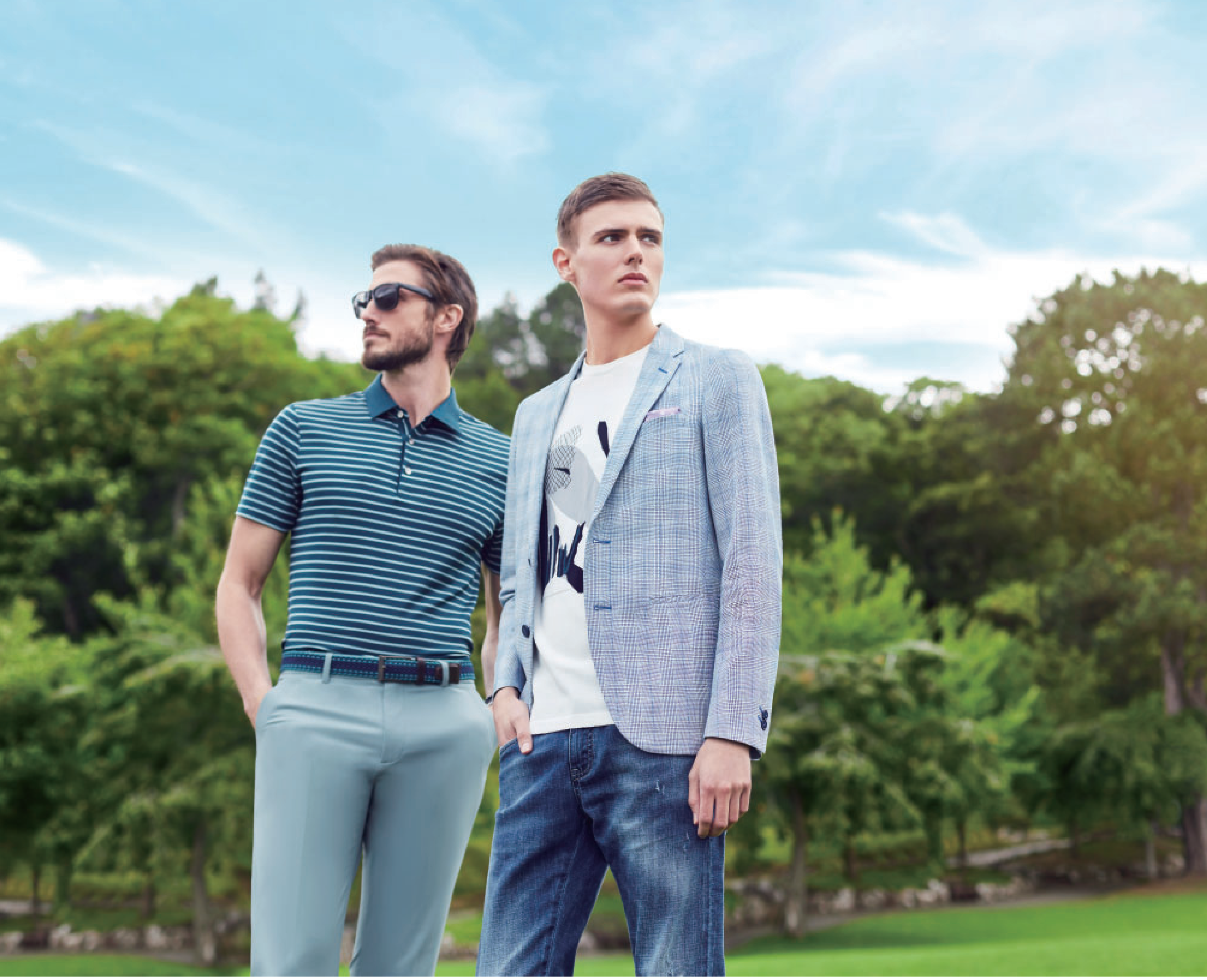
Evergreen International Holdings Limited
長興國際（集團）控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 238

2018 ANNUAL REPORT





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CORPORATE INFORMATION

Directors

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

Independent Non-Executive Directors
Mr. Fong Wo, Felix
Mr. Cheng King Hoi, Andrew
Mr. Ng Wing Fai

Company Secretary

Mr. Hung Hing Hung

Authorised Representatives

Mr. Chan Yuk Ming
Mr. Hung Hing Hung

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Share Award Plan Committee

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

Registered Office

P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

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

21/F, One Bravo Plaza
No. 1, Jinsui Road
Zhujiang New Town Tianhe District
Guangzhou, China

Principal Place of Business in Hong Kong

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

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Share Registrar

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

Principal Bankers

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

Auditor

Ernst & Young, Certified Public Accountants

Legal Advisor

MinterEllison LLP

Investor Relations

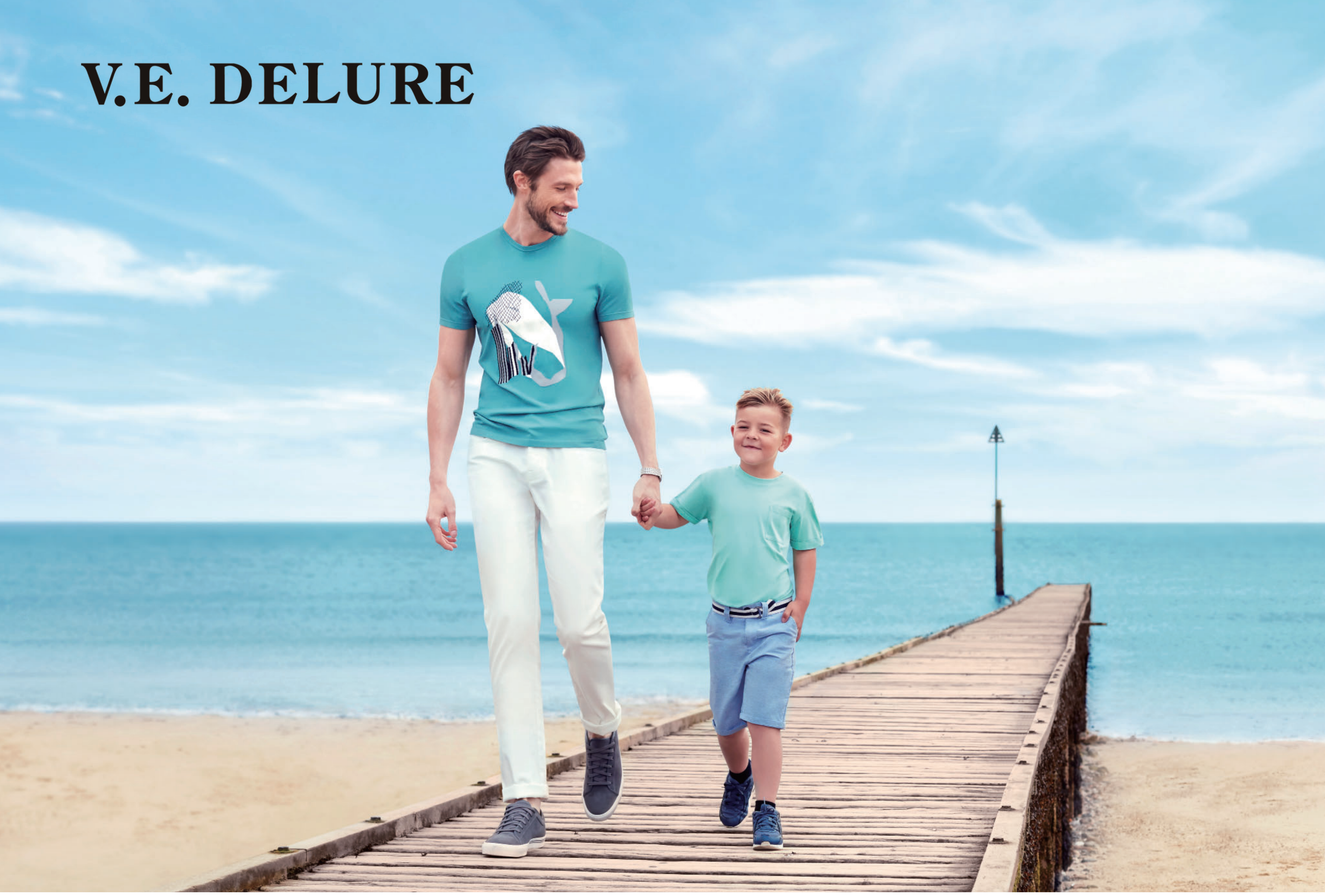
Investor Connect Advisory Ltd.

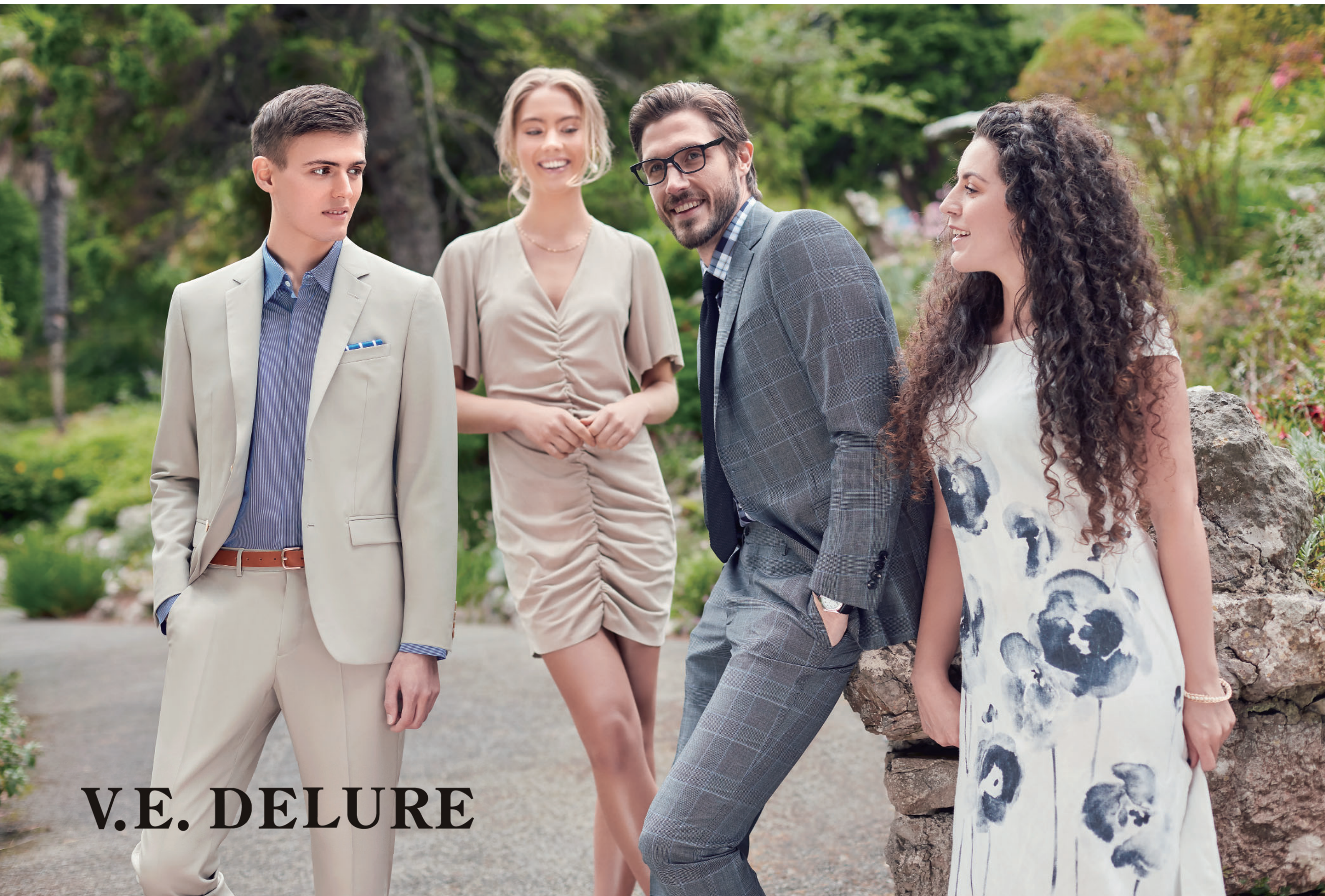
Stock Code

00238.HK

Company's Website

www.evergreen-intl.com


V.E. DELURE


V.E. DELURE

FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2018 RMB'million	2017 RMB'million	% change
Revenue	**284.5**	335.5	-15.2
Gross profit	**152.9**	206.8	-26.1
Loss attributable to ordinary equity holders of the Company	**(111.8)**	(139.0)	-19.6
Basic and diluted loss per share (RMB cents) *(Note 1)*	**(11.8)**	(14.6)	-19.2
Gross profit margin	**53.7%**	61.6%	
Net loss margin	**(39.3)%**	(41.4)%	
Effective tax rate	**(30.8)%**	(8.4)%	
Inventory turnover days *(Note 2)*	**379**	499	
Trade receivables turnover days *(Note 3)*	**92**	91	
Trade payables turnover days *(Note 4)*	**61**	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

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

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

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

To be a

WORLD CLASS

brand operator in Mainland China

Chan Yuk Ming
Chairman

Dear Shareholders,

I hereby present the annual results of Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

In 2018, the global economy continued to be complicated and volatile. According to the National Bureau of Statistics of China, the growth rate of gross domestic product ("GDP") grew by 6.6% in 2018, higher than the government annual target of around 6.5%.The total retail sales of consumer goods realised in urban area and rural area in 2018 grew at a rate of 8.8% and 10.1%, respectively, as compared to that of previous year. In 2018, the retail sales of apparel shoes, hats and knitwear amounted to RMB1.4 trillion, an increase of 8.0% over the same period of last year, an increase of 0.2 percentage points from the previous year.

For the year ended 31 December 2018, the revenue of the Group decreased by 15.2% to RMB284,521,000. Overall gross profit margin decreased from 61.6% to 53.7% for the year ended 31 December 2018 largely due to the decrease of the average selling price of menswear and the closure of underperforming retail stores and other rationalisation processes. The Group recorded a loss attributable to ordinary equity holders of the Company of RMB111,811,000 for the year ended 31 December 2018 (2017: a loss of RMB138,978,000). The decrease in the loss was mainly attributable to net foreign exchange gain, increase in fair value of investment properties and reduction in amount of the write-down of inventory to net realisable value.

During the year, faced with the challenge of the structural adjustments of the premium menswear industry in China, the Group continued to formulate new strategies for and implemented adjustments to certain department stores based on their operational performances in order to improve their operational efficiency. Moreover, the Group closed or re-adjusted certain retail stores with unsatisfactory performances as part of its efforts to proactively make adjustments to its sales and distribution channels.

As at 31 December 2018, the Group had a total of 103 menswear stores covering 22 provinces and autonomous regions, covering 55 cities in China. Given the intense competition in the retail market and weak consumer sentiment, the Group prudently adjusted the store opening plan in response to the challenging market condition and retail environment. The Group plans to open approximately 39 new retail stores for menswear business in 2019, of which approximately 19 are self-operated stores and 20 are franchised stores. On the other hand, the Group will continue to consolidate inefficient stores in order to improve the operating efficiency.

In order to improve brand image, the Group continued to conduct a series of advertising and promotional activities through various channels, e.g. 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. Apart from routine advertising and promotional activities, corporate social responsibility is also one of the key values of the Group which will continue to organise and participate in various charitable and social activities in the future.

The Group is strategically transforming the menswear business through reconstructing brand position and product innovation to enhance the value of our brand. In ***V.E. DELURE*** 2019 spring summer new product release fashion conference, the Group had introduced a young, casual and sporty design style menswear apparel line with bargaining price to the customers. We believe the new apparel style will attract more young adults, refresh the brand image and enrich the core value of the brand. The Group will continue to implement consistent and clear strategies, which include prudently enhancing its retail and distribution network and healthily expanding product offerings and design capabilities, enhancing product quality, consolidating brand equity of ***V.E. DELURE***, enriching our brand portfolio and upgrading our ERP system and administrative support, in order to achieve a healthy and sustainable growth in the long run.

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

Finally, I would like to take this opportunity to express my sincere gratitude to the members of the board (the "Board") of directors (the "Directors") of the Company, for their valuable advice and support. On behalf of the Board, I would also like to thank our employees, shareholders, distributors, customers and suppliers of the Group for their confidence and continuous support to the Group.

Chan Yuk Ming
Chairman

Hong Kong, 29 March 2019

Market Review

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

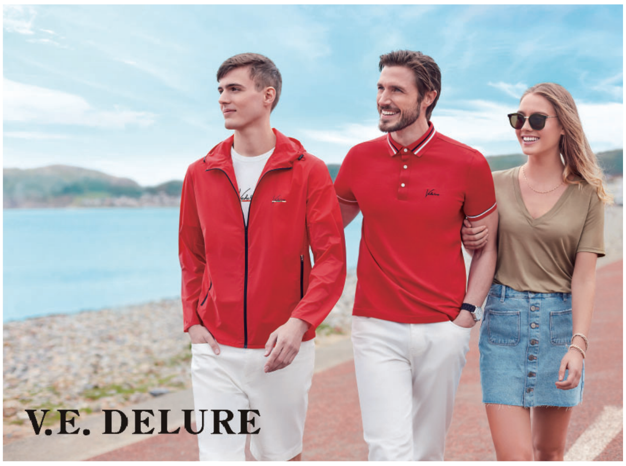
During the year, faced with the challenge of the structural adjustments of the premium menswear industry in the PRC, the Group continued to formulate new strategies for and implemented adjustments to certain department stores based on their operational performances in order to improve their operational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

Financial Review

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

Turnover

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



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

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

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

Turnover by Region

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

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

Turnover by Product (self-operated stores only)

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

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

	2018 RMB'000	2017 RMB'000
Average Selling Price		
Menswear		
Apparel(1)	**852**	998
Accessories(2)	**293**	269

Notes:

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

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

Other Income and Gains

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Costs

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

Effective Tax Rate

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

Loss Attributable to Ordinary Equity Holders of the Company

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

Business Review

Proprietary Brands

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

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

Retail and Distribution Network

Number of stores of proprietary brands by region

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

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

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

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

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

Number of stores of proprietary brands by city tier

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

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

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

Licensed International brands

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

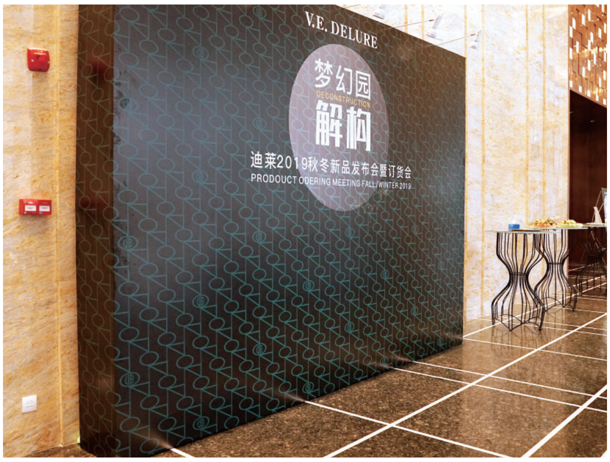
Brand portfolio

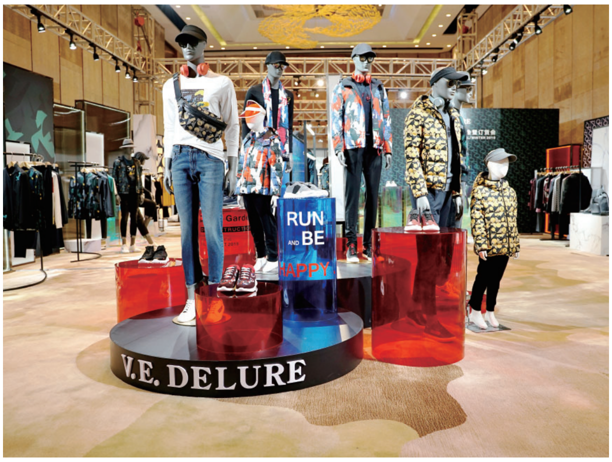
Brands	Territories
Diesel Kids	Mainland China, Hong Kong
Donsje	Mainland China, Hong Kong
Dsquared2	Mainland China
Fendi Kids	Mainland China
Kenzo Kids	Hong Kong
Lanvin	Mainland China, Hong Kong
Mini Rodini	Mainland China, Hong Kong
Moncler	Mainland China
Paul Smith Junior	Mainland China, Hong Kong
Roberto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

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

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

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





Sales Fair

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

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

Inventory Management

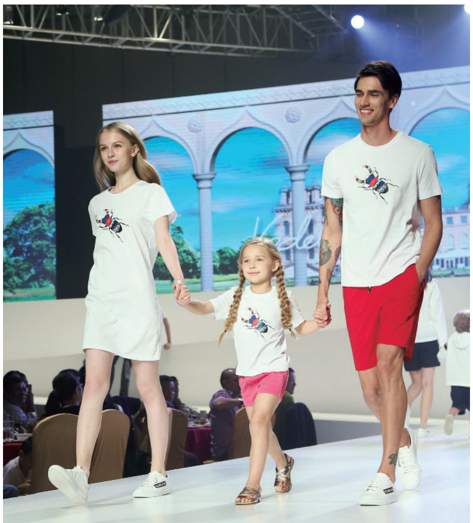
The Group maintains an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distributors without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store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

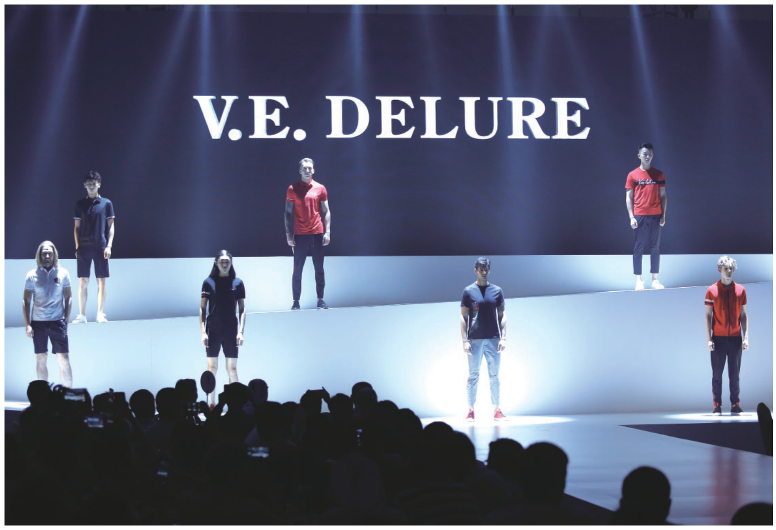
Marketing and Promotion

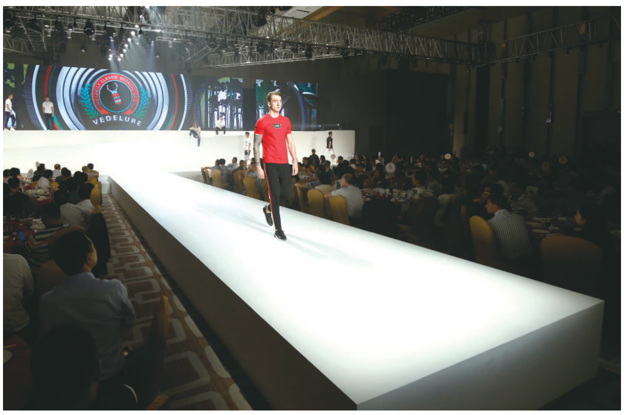
The Group has a dedicated marketing team to organise and execute the marketing and promotional activities of its products. The Group focuses on the long-term development of its brands. Different types of marketing and promotional activities of the Group not only strengthen the brand recognition and value,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

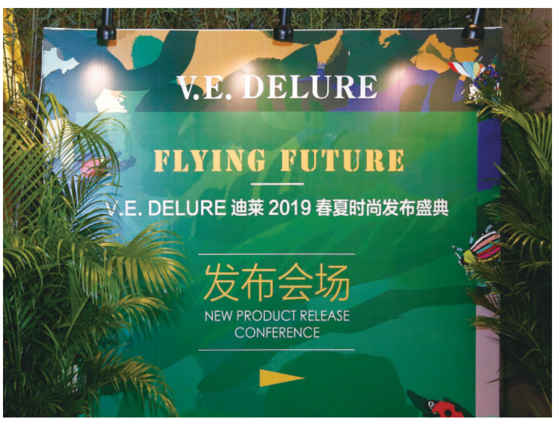
In 2018, the total expenditure of the Group on marketing and promotional activities amounted to approximately RMB17,266,000 (2017: RMB22,012,000), accounting for 6.1% (2017: 6.6%) of the turnover. The Group will strive to maintain the ratio within the range of 5%–7% whilst promoting the brands effectively.

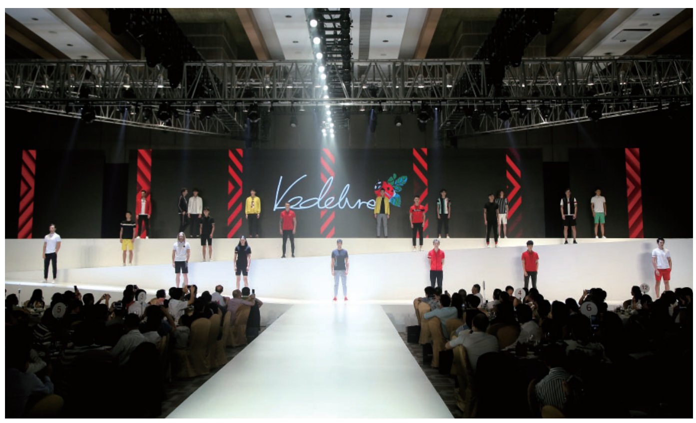
During the year, the Group organised regular advertising and promotional activities through different channels, such as advertisements in fashion magazines, promotional activities on the Internet and other media, and large advertising billboards in airports and well-known department stores and launching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











* ***V.E. DELURE*** 2019 Spring Summer New Product release fashion conference

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

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

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

Product Design and Development

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

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

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

Working Capital Management

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

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

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

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

Use of Proceeds

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

Use of funds raised

	Percentage to total amount	Net proceeds RMB'million	Utilised amount (as at 31 December 2018) RMB'million	Unutilised amount (as at 31 December 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	0.1	203.4
Marketing and promotional activities	7%	71.2	71.2	–
Upgrade of ERP system and database management system	5%	50.9	4.4	46.5
Hiring international design talent and design consultant firms, expanding the Group's existing design team and establishing the Group's own research and design centre	5%	50.9	6.3	44.6
General working capital	8%	81.4	81.4	–
	100%	1,017.4	722.9	294.5

Liquidity and Financial Resources

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

Contingent Liabilities

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

Pledge of Assets

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

Exchange Risk

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

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

Employee's Benefits

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

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

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

Prospects

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

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

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

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

Concepts and reporting principles

The Environmental, Social and Governance Report section (the "Section") highlights the sustainability initiatives of the Group's self-operated business of menswear brands for the year ended 31 December 2018 (the "Reporting Year") with an aim to disclose information at a group level, while the environmental data discussed herein covers the Group's headquarter in One Bravo Plaza in the Tianhe District of Guangzhou, as well as four self-operated stores[1] in Beijing, Nanning, Xi'an and Sichuan due to our numerous retail stores resulting in the relatively complex data collection and disclosure process. We will increase the scope of disclosure for the self-operated stores when the conditions become more mature in the future.

This Section is prepared in accordance with the requirement of the "Environmental, Social and Governance Reporting Guide" ("the Guide") in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by the Stock Exchange. The content covered herein is written based on the principles of "importance" and "consistency", in order to ensure the overall disclosure has met the requirement of the Stock Exchange. The Reporting Year covers the same period as the Group's fiscal year.

The figures and data in the Section are from our archived files, records and surveys. We value all feedback and we welcome you to send any comments you may have to ircontact@evergreen-intl.com, helping us strive for continuous improvement.

Our Philosophy in Sustainable Development

Always with an objective of becoming a world-class fashion brand operator, the Company hopes to offer high-quality apparel to the general consuming public and brighten up their lives with more colors. To achieve such aim, we are convinced that only by holding fast to the correct value can we continue to rise up to challenges in a changing business environment and form a sustainable business model. We have been insisting on operating business in a responsible manner and will not give up our commitment to the environment, society and governance for immediate interests.

Governance responsibility

- Comply with all applicable laws, regulations and strict ethical standards
- Conduct rigorous assessment on and supervise the suppliers and distributors
- Establish a closer strategic relationship with the brand owners

Environmental responsibility

- Promote green office
- Encourage self-operated stores to adopt green operation
- Enhance staff's environmental awareness

Social responsibility

- Strengthen customer service and community engagement for a harmonious society

[1] The addresses of the four self-operated stores are V.E. DELURE counter, 2/F, Block C, Yansha Outlet, 9 Dongsihuan South Road, Chaoyang District, Beijing, V.E. DELURE counter, 4/F, Mengzhidao Department Store, 49 Minzu Avenue, Nanning, V.E. DELURE counter, B2/F, Century Jinhua Mall (Bell Tower), Xian and V.E. DELURE counter, 5/F, Wangfujing Department Store, 15 Zongfu Road, Jinjiang District, Chengdu, Sichuan

Performance in 2018

Treasure natural resources

Greenhouse gas emissions	2018	2017	change (%)
Total emissions	301.11 tones of CO_2e	320.56 tones of CO_2e	–6.07%
Scope 1 (Direct emissions)	61.08 tones of CO_2e	4.8 tones of CO_2e	+1,172.50%
Scope 2 (Indirect emissions)	240.03 tones of CO_2e	315.76 tones of CO_2e	–23.98%
Energy consumption			
Diesel	2,416 Litre	2,119 Litre	+14.02%
Gasoline	24,100 Litre	18,761 Litre	+28.46%
Electricity	281,854.86 kWh	361,610.48 kWh	–22.06%
Paper products used[2]			
Administrative Use of Paper (including A3 & A4 paper)	Approximately 154,600 sheets	Approximately 162,840 sheets	–5.06%
Cartons/Paper Boxes	Approximately 50 pcs	Approximately 240 pcs	–79.17%
Paper Prints (mainly for bags)	Approximately 14,100 pcs	Approximately 8,491 pcs	+66.06%
Hazardous waste disposal	No substantial hazardous waste is processed or generated in the business		–
Water consumption	Our business does not involve a large amount of water-consuming processes. The design water consumption is either water for domestic use or cleaning activities where the amount of water consumed is insignificant.		–

* *The data is obtained from four self-operated stores in Beijing, Nanning, Xi'an and Sichuan, as well as the head office in Guangzhou.*

In general, the total emissions of the Group during the Reporting Year were lower than that in last year, representing a slight decrease of 6.07% to 301.11 tons of CO_2e, mainly due to a significant decline in greenhouse gas emissions in Scope 2 resulting from a significant reduction in power consumption of the Group. This was because the Group attached great importance to energy management of the retail stores in 2018. The electricity consumption of retail stores had been reduced effectively through switching to energy efficient lighting fittings and fully implementing electricity-saving measures. In addition, based on the resource integration policy, the Group rearranged its office, reducing the overall floor area for administrative purpose, thereby reducing the actual electricity consumption.

In respect of the emissions of Scope 1, although the increase in the use of automobiles has increased the consumption of diesel and gasoline, resulting in a significant growth in greenhouse gas emissions of Scope 1, this significant increase was mainly due to the drastically low base number of last year. The actual emissions of Scope 1 were still within reasonable limits.

In respect of paper products, the consumption of cartons this year was much lower than those of last year, representing a drop of 79.17%, mainly because the Group encouraged employees in the retail stores to reuse paper boxes which were in good condition to avoid waste.

The operating activities of the Group had no direct and significant impact on the environment and natural resources.

2 The Group's business mainly focuses on retailing and distributing branded outfits. The general wastes generated are mainly paper and domestic wastes. As the Group has not yet established a systematic general waste statistical system, the amount of paper products used is disclosed as a reference. More information will be disclosed when the statistical system becomes more mature.

The Group was mainly engaged in operating mid-to-high-end men's apparel brands and acting as authorized dealers of international children's wear brands in China. The Group, not having any manufacturing or processing business, was only involved in running the wholesale and retail business, therefore such business nature did not have a significant impact on the environment and natural resources. However, the Group always valued the importance of environmental protection and it strictly abided by the "Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)", "The Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》)" and other relevant laws. Moreover, various energy-saving measures were implemented, with an aim to contribute to the national carbon reduction strategies.

In terms of the self-operated store, we have continued to implement green retail strategies in the past year, including:

1. recycling plastic packaging;
2. reusing paper boxes in good condition;
3. reducing the use of disposable items in retail stores; and
4. distributing plastic bags to customers on demand and encouraging customers to bring their own bags

As a consumer brand operator, we ensured that our overall management is in compliance with the relevant laws and regulations, and worked with the industry and suppliers to improve environmental performance, as well as to enhance environmental and sustainability awareness within the supply chain.

As a responsible retail brand, the Group continued to pass the ISO14001 environmental management system certification for the Reporting Year. The Group has obtained the certification for seven consecutive years, indicating that we have been maintaining a good level of environmental management.

Outstanding Staff and Team

We are committed to driving a culture where our people feel valued, have a clear sense of belonging and are recognized and rewarded for their contribution. Accordingly, through various employee benefits, training and promotion opportunities, we allow employees to have a sense of satisfaction during their work, thereby enhancing their recognition and commitment to our Group culture and improving overall operational efficiency.

Demographics of Staff

	2018	2017
Number of employees	400	502
Male	13.5%	9.6%
Female	86.5%	90.4%
New recruits	33.0%	36.5%
Post-secondary-educated staff	29.0%	24.3%
Turnover rate	51.1%	66.0%
Distribution of age		
16–24	2.8%	3.4%
25–40	80.0%	80.5%
41–59	16.5%	15.3%
60 or above	0.8%	0.8%

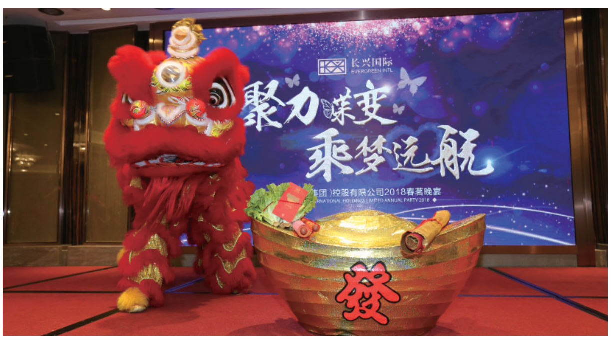
As the Group has been going through a business realignment period, the underperforming stores have been integrated to meet the staff streamlining plan, and the overall staff turnover rate has remained at a relatively high level, despite showing a downward trend as compared with last year. We believe that the turnover rate will continue to decline in the future.

Employment and Labour Practices

The Group adheres to the principle of meritocracy. We will recruit, promote and transfer staff according to the established principles to ensure fair and transparent process, regardless of the employee's gender, religion, ethnicity and other factors, allowing each employee to receive fair treatment and development opportunities in the right position. We rigorously comply with the laws and regulations relating to labour and human resources. We adopt different measures and regulations to prevent the illegal use of child labour and forced labour.

In the Reporting Year, the Group did not identify any situation relating to child labour or forced labour.

Meanwhile, we also attach great importance to the rights and remuneration of employees. We provide them with competitive remuneration packages and development opportunities based on market rate, job responsibilities, individual performance and academic qualifications. Without doubt, the Group will also fully pay employees salary in a timely manner in accordance with the requirements of laws and regulations, and pay social insurance for them at the same time. For terminated employees, the Group will also issue them with full resignation compensation according to different circumstances of their departure from office. Employees are entitled to maternity leave, marriage leave, sick leave and other holidays in accordance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》). They can also apply for leave of absence depending on actual needs.



Health and Safety

We value the relationship between the Group and the employees and we are committed to improving the safety performance of the Group continuously. To further develop the system of occupational health and safety, we are strictly abiding by the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》)", Regulations on the Wage Payment to Employees (《工資支付條例》), the Regulation on Paid Annual Leave for Employees (《職工帶薪年假條例》)", Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》)" and "Regulations on Labor Protection for Female Employees (《女職工勞動保護辦法》)" and other relevant laws and regulations. We also provide induction training, on-the-job training and coaching, as well as external training, which ensure our employees understand the requirement of their position and eliminate all potential health and safety risks.

The priority of the Group is always to provide employees with a safe working environment. In addition to arranging training for employees to enhance their occupational safety awareness, we also regularly inspect the site facilities to ensure they are maintained in good condition and to eliminate potential safety hazards. Especially during the rainy season, we require our employees to keep the ground flat and dry to avoid slips and falls injuries. In case of special circumstances, we will set up warning signs in the mall so that employees will be reminded to give due regard to safety to minimize the risk of potential accidents. Retail managers and store supervisors conduct regular inspections and spot checks to ensure that safety regulations are implemented.

During the Reporting Year, we had a frontline staff member who was injured during work and was granted 23 days of sick leave by the Group, which were longer than that written on the sick leave certificate from the hospital to ensure that such staff member could get adequate rest and recovery time.

Development and Training

Attracting and developing outstanding talents is essential for the development of our business. Therefore, the Group has been committed to providing employees with suitable pre-employment and continuous training opportunities to ensure that they could fully understand their responsibilities and explore their potential to better serve the Group.

In 2018, the average number of training hours per employee of the Group was 5.17 hours. The training by gender and employment category is as follows:

	Male	Female
Director level	4.8%	3.2%
Supervisor, manager level	11.3%	17.7%
Other employees	19.4%	43.5%

We believe that creating a strong learning culture plays a vital role in maintaining the sustainability of the Group. As such, we will continue to review and improve the training courses to ensure that employees can get the knowledge they need during the training process, and provide more assistance in their ability improvement and career development.

Strict Management on the Supply Chain

Supply chain Management

	2018
Domestic suppliers	70
International suppliers	6

The Group had 76 qualified suppliers in 2018, most of which were domestic suppliers.

In respect of the supply chain, our responsibility is to ensure that the Group purchases products from suppliers which are compliant with the relevant laws and regulations, with good quality and undertake social corporate responsibility. We believe that only suppliers that meet the above requirements can have a stable operating status and ensure stable supply and quality.

Accordingly, we have developed comprehensive review requirements for suppliers, which will be assessed in terms of the style, delivery time, quality and cooperativeness, to determine whether the supplier has a quality management certification system, an occupational health and safety management system, and other external certifications, good product development capabilities, reasonable production cycle, good equipment quality, stable manpower and stable financial conditions. In addition, in response to the environmental performance of our suppliers, we will require them to fully comply with the latest national environmental regulations as well as obtain an environmental assessment report and the relevant licenses issued by the relevant authorities to ensure that their operational performance will not cause any environmental problems. After confirming that the suppliers' operating conditions meet our requirements, we will cooperate with them and determine the quantity of orders based on their actual scores.

After confirming the partnership, we will provide our products/service requirements guidelines to different suppliers, while we will also assign personnel to conduct regular visits and inspections so as to maintain good communication and ensure that a party understands opinions and requirements from the other party/parities. For fabrics and apparel products suppliers, we require all product suppliers to fully comply with the Chinese National Standard GB18401-2010 "National Textile Product Basic Safety Technical Specifications (《國家紡織產品基本安全技術規範》)" to guarantee that chemical residues on all clothing fabrics meet national requirements.

In addition, in respect of the process of garment production, we take the "National Standardised Evaluation Criteria of Safety Production in Garment Manufacturing Enterprises (《服裝生產企業安全生產標準化評定標準》)" (the "Criteria") as the norm. All manufacturing suppliers are required to comply with the requirements set out in the Criteria which are applicable to the manufacturing enterprises that use fabrics as the main raw materials and produce garments and apparel accessories after the completion of cutting and sewing. The provisions cover a wide range of issues, ranging from employee rights to work environment, for example, occupational safety and health related measures for employees, employee rights protection, measures to establish a safe working environment, and facility maintenance. The ratings received by suppliers in relation to the "Criteria" will affect their relationship with us.

Through the strict supply chain management, we have successfully maintained stable and high-quality supply performance in the past year. Meanwhile, we have guaranteed the quality of the brands of the Group and established a positive brand image to its customer base.

Product Quality and Liability

	2018	2017
Products recalled for safety or health concerns	0	0

During the Reporting Year, the proportion of product recalls was lower than 1% of the purchase quantity. There was no product recalled for safety or health reasons, indicating that products of the Group were of good quality and customers were satisfied with its products.

It is absolutely one of our operating objectives to enable customers to buy products with satisfactory quality each time they make a purchase. Therefore, we attach great importance to the quality of all products and their stability, to avoid the uneven quality at each delivery and to avoid affecting the customer's shopping experience. In order to achieve this goal, we have stipulated strict requirements in the "Standards for Workflow and Testing (《品控部工作流程及檢驗標準》)" and the "Procedure for Pre-and Post-production (《品控部生產前及收貨前流程》)", so as to ensure that the quality of the product has met such requirements before it reaches the shelf.

If products are found to be significantly defective, we will handle the defective products based on the "Procedure for (unqualified) Product Recall (《返修貨品流程(次品)》)", which is a procedure developed by the Group, and they will not enter the retail market. At the same time, we will recall the same batch of products and return them to the supplier, asking them to rectify the relevant quality issues.

In terms of ensuring the production quality of the products, all products of the Group must comply with the National Standard GB18401-2010 in National General Safety Technical Code for Textile Products (《國家紡織產品基本安全技術規範》), to ensure that all chemical residues on the products are below the legal limit and to avoid harm to consumers. Since the Group's business involves children's wear to a large extent, with the aim to protect children's health and enhance their parents' confidence in the Group and the brands they represent, the safety and quality of such products will be more stringent than adult clothing. Therefore, all safety technologies for the Group's infants and children's textiles are required to comply with GB18401 safety technology, including the requirements for materials, the degree of direct and indirect skin contact and rope design, among which the clothing size for 0-36 month's old children must meet the A-level standard to protect the baby's sensitive skin and delicate body.

After receiving the goods provided by the suppliers, the Group will submit the products to the authority recognized by the Chinese government for quality inspection. Upon completion, a formal cloth testing report will be issued by the national product quality supervisory testing centre, to ensure that the supply quality of the supplier is in line with the national laws and the internal requirements of the Group as well as our sold products have gone through the quality assurance process.

In case of the products provided by a foreign supplier, we will declare to the Airport Commodity Inspection Bureau upon arrival, and the Airport Commodity Inspection Bureau will issue a Business Contact Form to the General Administration. Subsequently, the inquiry system of regulatory department under the General Administration of Commodity Inspection will conduct a random sampling inspection to the goods. The goods can be released for the subsequent logistics process only when the satisfaction of the entry criteria is confirmed. The logistics companies engaged by the Group in Hong Kong have also obtained ISO 9001:2008 and ISO 28000:2007 certifications, which are in line with international standards.

Respect for Intellectual Property

	2018	2017
Litigation relating to the protection of intellectual property	**0**	0

We respect intellectual property and we pledge that all products produced by our own brands are original. For the protection against the rights of our own brands, we have registered all our own brands of "***V.E. DELURE***" and "***TESTANTIN***" in Mainland China, Hong Kong and other regions around the world. In order to establish a comprehensive protection mechanism and avoid losses, we have also registered the new lifestyle concept store for children's wear with the brand name of "***Kissocool***" in Mainland China and Hong Kong.

Customer Relationship Management

By providing quality apparel products, the Group has always been committed to building a positive brand image to the customers. It is our belief that only the good and trusting relationship with our customers can promote the Groups' sustainable development.

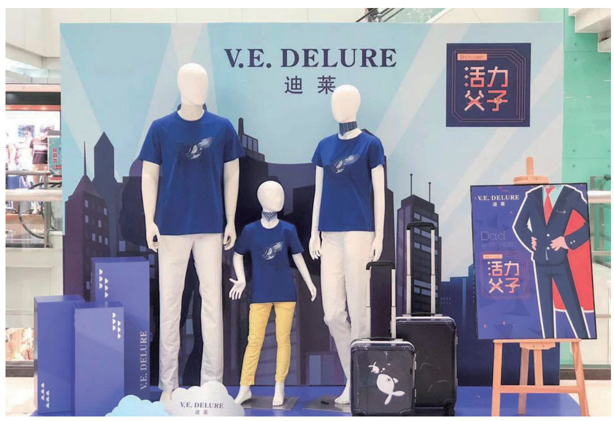
Customers can submit their complaints or comments to our staff through multiple platforms, including customer service hotline and WeChat public account, or even they can do so by visiting our stores. The Group has established a clear internal procedure for handling customer's complaints to promptly and fairly investigate and resolve such complaints and comments through an effective feedback mechanism. We value every comment given by the customers and improve our frontline services by reviewing the customer service training from time to time.

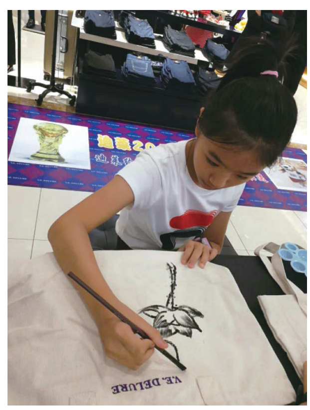
Respect for Customer Privacy

In the collection, process and use of customer's personal data, the Group strongly emphasises the protection regarding the customer privacy. We will first explain to the customers the reasons and use of the collected data, so as to ensure that the customers understand and agree to our actions.

In order to protect the customer's personal data from unauthorized use or access, the Group requires all staff to follow the internal guidelines and to ensure that appropriate technical measures are taken when handling and accessing to such data. We have established a strict security system that records all inspection or access to customers' personal data to prevent unauthorized access from a third party, so that we can prevent the data from flowing to unauthorized third parties.

In the Reporting Year, the Group did not receive any complaint resulting from personal information leakage.





Maintenance of Good Corporate Governance

	2018	2017
Legal cases relating to corruption	0	0

The Group is committed to having good corporate governance practices and strictly prohibits its employees from engaging in acts of corruption. A policy has been set up to deal with anti-corruption complaints in a view to prevent corruption, reduce operational risks and protect the legitimate interests of the Group. The Group asked all PRC employees to sign a "Confidentiality Agreement" and an "Anti-corruption Agreement" with legal validity when they first joined the Group. Staff in the Hong Kong office also needs to agree on the confidentiality clause stated in their employment contracts. In addition, the Group will review its overall internal compliance and corporate governance in a timely manner to ensure that all current policies and codes are in compliance with relevant regulations.

If there is any complaint in respect of corruption, our staff can file a report in written format or talk in person according to the internal reporting mechanism and the investigation will be performed by the Group's audit committee. When the prima facie evidence has been established after the investigation, the audit committee will submit the relevant information to the Chairman of the Board. The staff member who files the case will receive an acknowledgment within 5 days. At the same time the committee will assess whether a full investigation is needed. The Group will appoint investigators or set up a special committee to carry out further action based on the situation, such as filing a report to the judicial authorities. In the Reporting Year, there is no litigation in respect of corruption against the Group, and no complaint about any corruption by our employees has been received.

Build a Better Community

As a responsible corporate citizen with caring for the society, the Group has been actively involved in various corporate social responsibility activities to dedicate ourselves to the community, such as sponsor for various sports events. We also encourage our staff to join the social and charity events and make more contribution to the community with a view to build a better society.

Of which, the Company has been supporting China's sports development for many years, and in particular the development of the national table tennis team. Over the years, the Company has been the professional image consultant of etiquette costume of China's table tennis team, reflecting our care and support towards the national table tennis team. As an enterprise whose expectation is to contribute more to the community, we will keep on providing support for the etiquette costume towards the national table tennis team and contributing to the development of national sports teams.

The Board of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the Reporting Year. The key corporate governance principles and practices of the Company are summarised as follows:

Corporate Governance Practices

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability.

During the Reporting Year, 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 ("CG Code") contained in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code during the Reporting Year.

The Company regularly reviews its corporate governance practices to ensure compliance with the CG Code.

The Board

Responsibilities

Overall management of the Company's business is vested in the Board, which assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Delegation of Management Functions

The Board undertakes responsibility for decision making in major Company matters, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

Board Composition

The Board comprises six members, consisting of three executive Directors and three independent non-executive Directors. The executive Directors and independent non-executive Directors during the Reporting Year and up to the date of this report were as follows:

Executive Directors:

Mr. Chan Yuk Ming *(Chairman of the Board and Share Award Plan Committee)*
Mr. Chen Yunan *(Member of Share Award Plan Committee)*
Mr. Chen Minwen

Independent non-executive Directors:

Mr. Fong Wo, Felix
(Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee)
Mr. Cheng King Hoi, Andrew
(Chairman of the Remuneration Committee and member of the Audit Committee, Nomination Committee and Share Award Plan Committee)
Mr. Ng Wing Fai
(Chairman of the Audit Committee and member of the Remuneration Committee and Nomination Committee)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The relationships among the members of the Board are disclosed under "Biographical Details of Directors and Senior Management" on pages 46 to 48 to this annual report.

During the Reporting Year, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors have been invited to serve on the Audit, Remuneration, Nomination and Share Award Plan Committees of the Company.

Appointment and Re-Election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's articles of association (the "Articles of Association"). The Nomination Committee is responsible for reviewing the Board composition, developing and formulating procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the executive Directors entered into a service agreement with the Company for a term of three years commencing from 4 November 2010, which was renewed for three years commencing from 28 November 2013 and for a further term of three years commencing from 28 November 2016. They are subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the service agreement by giving the other party not less than six months' notice in writing or by the payment of wages in lieu of the outstanding notice.

The independent non-executive Director, Mr. Fong Wo, Felix entered into an appointment letter with the Company for a term of two years commencing from 4 November 2010, which was renewed for two years commencing from 4 November 2012, 4 November 2014 and 4 November 2016, and for a further term of two years commencing from 4 November 2018. The other independent non-executive Director, Mr. Cheng King Hoi, Andrew, entered into an appointment letter with the Company for a term of two years commencing from 27 June 2012, 27 June 2014 and 27 June 2016, which was renewed for a further term of two years commencing from 27 June 2018. Another independent non-executive Director, Mr. Ng Wing Fai entered into appointment letter with the Company for a term of two years commencing from 7 June 2016 and renewed for a further term of two years commencing from 7 June 2018. They are subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the appointment by giving the other party not less than three months' notice in writing.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expense.

The following Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills during the Reporting Year:

Directors	Topics of training covered [Note]
Executive Directors	
Mr. Chan Yuk Ming	1,2,4
Mr. Chen Yunan	1,2,4
Mr. Chen Minwen	1,2,4
Independent non-executive Directors	
Mr. Fong Wo, Felix	1,2,3
Mr. Cheng King Hoi, Andrew	1,2,4
Mr. Ng Wing Fai	1,2,3,4

Note:

1. Corporate governance
2. Regulatory updates
3. Finance and accounting
4. Industry updates

In addition, the Company has provided relevant reading materials including legal and regulatory update to all Directors for their reference.

Attendance Records of Directors and Committee Members

Number of Meetings and Directors' Attendance

During the Reporting Year, four Board meetings were held including four regular Board meetings held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The Articles of Association provides that the Board or any Board committee meetings may be held by means of telecommunications facility.

During the Reporting Year, three Audit Committee meetings, one Nomination Committee meeting, one Remuneration Committee meeting, one Share Award Plan Committee meeting and one annual general meeting were held.

The attendance records of the Directors at the Board meetings, the Board committee meetings and the general meetings of the Company held during the Reporting Year are set out below:

	Meetings attended/meetings held during the Reporting Year					
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Share Award Plan Committee	Annual General Meeting
Chan Yuk Ming	4/4	–	–	–	1/1	1/1
Chen Yunan	4/4	–	–	–	1/1	0/1
Chen Minwen	4/4	–	–	–	–	0/1
Fong Wo, Felix	4/4	1/1	1/1	3/3	–	1/1
Cheng King Hoi, Andrew	4/4	1/1	1/1	3/3	1/1	1/1
Ng Wing Fai	4/4	1/1	1/1	3/3	–	1/1

Apart from the above meetings, the Chairman of the Board also held one meeting with the independent non-executive Directors without the presence of executive Directors during the Reporting Year.

Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The Directors attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company. Minutes of meetings were kept by the secretary of meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Chan Yuk Ming, who provides leadership for the Board and is also responsible for chairing the meetings, managing the operations of the Board, and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner.

At present, the Company does not have any officer with the title of "Chief Executive Officer". The executive Director, Mr. Chen Yunan is responsible for running the Company's business and implementing the Group's business goals.

The Board shall review its structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Board Committees

The Board has established four committees, namely, the Nomination Committee, Remuneration Committee, Audit Committee and Share Award Plan Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request. All members of Nomination Committee, Remuneration Committee and Audit Committee are independent non-executive Directors.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Nomination Committee

The Nomination Committee currently comprises three members, namely, Mr. Fong Wo, Felix (Chairman), Mr. Cheng King Hoi, Andrew and Mr. Ng Wing Fai, all are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the board diversity policy of the Company (the "Board Diversity Policy"), including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee held one meeting during the Reporting Year to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors and new Directors standing for election at the annual general meeting. The Nomination Committee also considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records of the Nomination Committee meeting are set out under "Attendance Records of Directors and Committee Members".

Pursuant to Article 16.18 of the Articles of Association, Mr. Chen Minwen and Mr. Ng Wing Fai shall retire from the office by rotation at the forthcoming annual general meeting of the Company ("AGM") to be held on Monday, 10 June 2019. Both the retiring Directors, being eligible, will offer themselves for re-election.

The Nomination Committee recommended the re-appointment of the retiring Directors standing for re-election at the AGM.

The Company's circular dated 29 April 2019 contains detailed information of the retiring Directors standing for re-election to be elected at the AGM.

Remuneration Committee

The Remuneration Committee currently comprises three members, namely, Mr. Cheng King Hoi, Andrew (Chairman), Mr. Fong Wo, Felix and Mr. Ng Wing Fai, all are independent non-executive Directors.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management. The Remuneration Committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

The Remuneration Committee held one meeting during the Reporting Year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management, and other related matters. The attendance records of the Remuneration Committee meetings are set out under "Attendance Records of Directors and Committee Members".

There are 12 members of senior management in the Group (including executive Directors) of whom 7 members have remuneration of RMB1,000,000 or below, 2 members have remuneration between RMB1,000,001 to RMB2,000,000 and 3 members have remuneration between RMB2,000,001 to RMB2,500,000.

During the Reporting Year, the Committee reviewed the Group's remuneration policy and recommended the following to the Board:

- the incentive bonus of executive Directors and senior management should be linked to the financial target of the Group for the year ended 31 December 2018;
- the salary adjustment of executive Directors and senior management for the year ended 31 December 2018 should take into account of the Group's annual salary review policy , performance of the individuals and the market trend; and
- there will be no change in the current share option scheme for the year ended 31 December 2018.

The human resources department of the Company provides administrative support and implements the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Ng Wing Fai (Chairman), Mr. Fong Wo, Felix and Mr. Cheng King Hoi, Andrew (including one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control and risk management systems, audit plan and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The oversight of risk management functions was adopted into the Audit Committee's terms of reference and approved by the Board on 8 December 2015 pursuant to the new amendments to the Appendix 14 of the Listing Rules with effect from 1 January 2016.

The Audit Committee held three meetings during the Reporting Year to review the interim and annual financial results and reports, and significant issues on the financial reporting and compliance procedures and risk management and internal control systems and processes, scope of work and appointment of external auditor and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit Committee meetings are set out under "Attendance Records of Directors and Committee Members".

The Audit Committee had reviewed the adequacy and effectiveness of the Group's systems of internal control and risk management during the year.

The Audit Committee also met the external auditor twice without the presence of the executive Directors.

The Company's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

Share Award Plan Committee

The Share Award Plan Committee currently comprises three members, namely Mr. Chan Yuk Ming (Chairman), Mr. Chen Yunan and Mr. Cheng King Hoi, Andrew.

The Share Award Plan Committee is responsible for providing oversight and administration of the Share Award Plan of the Company and may during the period of the Share Award Plan and at its absolute discretion, make awards to any eligible persons and determine the number of Shares to be awarded to such eligible persons on such terms and subject to such vesting conditions, if any, as the Share Award Plan Committee thinks fit.

The Share Award Plan Committee held one meeting during the Reporting Year to review and consider the implementation of the Share Award Plan. The attendance records of the Share Award Plan Committee meeting are set out under "Attendance Records of Directors and Committee Members".

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors.

Specific enquiry has been made to all the Directors and all the Directors have confirmed that they have complied with the Model Code throughout the Reporting Year.

No incident of non-compliance of the written guidelines governing the securities transactions by employees who are likely to be in possession of unpublished inside information of the Company by the employees was noted by the Company during the Reporting Year.

Disclosure of inside information

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the Main Board Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

(a) the Group conducts its affairs with close regard to the disclosure requirement under the Main Board Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong;

(b) the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

(c) the Group has strictly prohibited unauthorised use of confidential or inside information; and

(d) the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the Chairman of the Board, executive Directors designated by the Chairman of the Board, and chief financial officer are authorised to communicate with parties outside the Group.

Directors' Responsibilities in respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 49 to 53 of this annual report.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

Auditor's Remuneration

During the Reporting Year, the fees paid/payable to the Company's external auditor, Ernst & Young, are set out below:

Service Category	Fees Paid/Payable (RMB)
Audit Services	
Non-audit Services	1,800,000
— Taxation	225,000
	2,025,000

Other certified public accountants firm charged the Group RMB91,000 for the provision of audit services to the Company's subsidiaries in the PRC.

Internal Control and Risk Management

The Board has overall responsibilities for maintaining a sound and effective risk management and internal control systems of the Group and reviewing the effectiveness of these systems. The systems include a defined management structure with limits of authority, and are designed to help the Group identify and manage the significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. The Group has an internal audit department which reviews and evaluates the control process, monitors any risk factors on a regular and ongoing basis, and reports to the Board on any findings and measures to address variances and identified risks.

For the year ended 31 December 2018, the Board has entrusted the Audit Committee to review the Group's risk management and internal control policy which, among other things, included the determination of risk factors, evaluation of risk level the Group could take and effectiveness of risk management measures. The Group also appointed an independent professional consultant with the responsibility to perform the review on the material controls of major activities and process of the Group's operation. The assessment report was reviewed by the Audit Committee and the Board. No major issue was raised for improvement.

The Board is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. Based on the reports from the Audit Committee and the professional consultant, the Board considers the Group's risk management and internal control systems are adequate and effective and the Group has complied with the provisions on risk management and internal control as set out in the CG code.

Company Secretary

Mr. Hung Hing Hung was appointed as the Company Secretary with effect from 1 January 2017. During the Reporting Year, Mr. Hung had confirmed that he undertook no less than 15 hours of relevant professional trainings to update the skills and knowledge.

Communication with Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with shareholders and in particular, through annual general meetings and other general meetings.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee, Audit Committee and Share Award Plan Committee (or their delegates) will make themselves available at the annual general meeting to meet shareholders and answer their enquiries.

The 2018 AGM was held on 7 June 2018. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.evergreen-intl.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

During the Reporting Year, the Company has not made any changes to its Articles of Association. An up-to-date version of Articles of Association is also available on the Company's website and the Stock Exchange's website.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors.

Pursuant to the Articles of Association, all resolutions put forward at general meetings will be voted by poll. Poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening and putting forward proposals at Extraordinary General Meeting by Shareholders

Pursuant to Article 12.3 of the Articles of Association, an extraordinary general meeting shall be convened by the Board on the written requisition of any two or more shareholders or any one shareholder which is a recognised clearing house (or its nominee(s)) holding not less than one-tenth of the paid up capital of the Company which carries the voting right at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong, or the registered office in the event the Company ceases to have such a principal office, specifying the objects of the meeting and signed by the requisitionist(s).

If the Board does not within 21 days from the date of deposit of the written requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board, within 3 months from the date of deposit of the written requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Shareholders should follow the requirements and procedures as set out above for putting forward proposals at extraordinary general meetings of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Rooms 1305–1307, 13/F,
New East Ocean Centre,
9 Science Museum Road,
Tsimshatsui East, Kowloon, Hong Kong
(For the attention of the Chairman of the Board)
Fax: (852) 2671 8738
Email: ircontact@evergreen-intl.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto.

Shareholders' information may be disclosed as required by law. Shareholders may call the Company at (852) 2712 2288 for any assistance.

Deed of Non-competition

As disclosed in the Company's prospectus (the "Prospectus") dated 22 October 2010, each of the Controlling Shareholders (as defined in the Prospectus) has entered into a deed of non-competition dated 8 October 2010 (the "Deed of Non-Competition") in favour of the Company (for its own and on behalf of all members of the Company and its subsidiaries).

The Company has received declarations made from the Controlling Shareholders on compliance with the Deed of Non-Competition for the Reporting Year.

The independent non-executive Directors have conducted a review on the compliance with the Deed of Non-Competition by the Controlling Shareholders and their respective Associates (as defined in the Prospectus), the options, pre-emptive rights or first rights of refusal (if any) provided by the Controlling Shareholders and their respective Associates on their existing or future competing business.

The Directors present their report and the audited consolidated financial statements of the Group (the "Financial Statement") for the Reporting Year.

Principal Activities

The principal activities of the Group are the manufacture and trading of clothing and clothing accessories. The principal activities and other particulars of the subsidiaries are set out in note 1 to the financial statements. During the Reporting Year, there were no significant changes in the Group's principal activities.

Results and Dividends

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Group are set out in the consolidated financial statements on pages 54 to 134 of this annual report.

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

Business Review

(a) Business review and financial performance

A fair review and the outlook of the Group's business can be found in the Chairman's Statement on pages 5 to 6 and the Management Discussion and Analysis section on pages 7 to 18 of this annual report. Certain financial key performance indicators which complement and supplement our financial disclosures are set out on page 4 of this annual report.

No important event affecting the Group has occurred since the end of the financial year under review.

(b) Principal risks and uncertainties

(i) Macroeconomic environment and intense competition

The volatile macroeconomic dynamics and the intense competition in the apparel industry are the principal inherent risks and uncertainties to the Group, affecting our results and business operation. Fashion products may be considered as discretionary items for consumers when there was a downturn in economic circumstances. Consumers may reduce their spending on our products and lead to the decrease in the Company's revenue and profits. Moreover, we compete with different Chinese and foreign menswear and kidswear brands in product designs, production costs, marketing programs and customer services. If we do not respond timely to our competitors, it will lead to the increase in costs and decline of the revenue and profits. It is important that the Group adjusts the business plan under different market conditions.

(ii) Fashion design trend risk

The world's fashion trend always changes because of the culture exchange and the high-speed of information exchange through the internet. In addition to the importance of product quality control, we always emphasise the anticipation and quick respond on the fashion trend on consumer preference. Failure to anticipate and respond timely to changing consumer preferences could lead to lower sales and excess inventory levels. With respect to each design concept, it is important to have the right volume of stocks and strike the right balance in the mix between fashion basics and the latest trends.

(iii) Supply chain risk

As we do not own or operate any manufacturing facilities and depend upon independent manufacturers to produce most of our products and materials, any disruption in the supply of fabric, raw materials and products from suppliers may cause problems in our supply chain. We have developed longstanding relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price all the time.

(iv) Foreign Exchange Rates Risk

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

(v) Liquidity Risk

Liquidity risk is the potential that our Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, our Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

The relationships between the Group with its stakeholders including employees, customers and suppliers are provided in the Management Discussion and Analysis section on pages 7 to 18 and the "Major customers and suppliers" section on page 38 of this annual report respectively.

Environmental Policies and Performance

The Group is committed to achieving environmental sustainability and promoting the development to incorporate into its long-term corporate business strategies. The Group has formed an environmental management task group to collect and monitor the relevant environmental performance data, and ensure the business operation are in compliance with local laws and regulations.

The Group formulated a series of environmental policies and delivered to its staff as practical guidance to promote the concepts of "reducing, reusing and recycling" in resources management throughout our operations. Meanwhile, with the launch of an OA system and promotion of mobile communication equipment, the Group strives to enhance employees' awareness to conserve energy and utilities usage, work in paperless office and use more environmentally-friendly office supplies and materials.

The Group will continue its efforts to enhance these systematic environmental policies so as to measure, control and mitigate our environmental impacts and conduct our business operation in a sustainable and responsible manner for long-term growth and development.

Compliance with Laws and Regulations

The principal places of operation of the Group covered Hong Kong, Macau and Mainland China. The Directors are of the opinion that the Group complied with all relevant laws and regulations in these regions that have significant impacts on the business operation of the Group.

Summary Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 136 of this annual report. This summary does not form part of the audited financial statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the Reporting Year are set out in note 13 to the financial statements.

Details of investment properties of the Group during the Reporting Year are set out in note 14 and the particulars of the investment properties are provided on page 135 of the financial statements.

Share Capital

There was no change in the Company's share capital during the Reporting Year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association, and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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 Reporting Year.

Reserves

Details of movements in reserves of the Group and the Company during the Reporting Year are set out in the consolidated statement of changes in equity and notes 32 and 41 to the financial statements, respectively.

Distributable Reserves

As at 31 December 2018, the distributable reserves of the Company, including the share premium account, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law") , amounted to approximately RMB385,560,000 (2017: RMB410,301,000). Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Major Customers and Suppliers

The Group strives for long standing relationships with customers and suppliers. The suppliers offered raw materials, licensed brand products and also furnished production process of most of the apparel and accessories products. The Group aligned its values and commitment to high quality and ethics standard with its suppliers by way of continuous communication and evaluation process.

The Group is dedicated to offering responsive customer services and rewarding experience to our customers with high quality products to maintain customer satisfaction and co-operation. The Group stays connected with its customers through the VIP membership system. By enhancing various marketing communication channels, especially through the new media platforms, launching VIP-specific marketing campaigns, and addressing the immediate and long-term needs of our customers, the Group endeavors to strengthen the customer loyalty in building a long-term and close relationship with the customers.

The information in respect of the Group's aggregate sales and purchases attributable to the major customers and suppliers respectively during the Reporting Year is as follows:

	2018		2017	
	Percentage of the Group's total		Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**2.6%**		2.5%	
Five largest customers in aggregate	**8.6%**		13.0%	
The largest supplier		**22%**		35.5%
Five largest suppliers in aggregate		**42%**		66.9%

None of the Directors, their close associates and any shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any beneficial interest in these major customers or suppliers.

Directors

During the Reporting Year and up to the date of this annual report, the Directors were as follows:

Executive Directors:
Chan Yuk Ming *(Chairman)*
Chen Yunan
Chen Minwen

Independent non-executive Directors:
Fong Wo, Felix
Cheng King Hoi, Andrew
Ng Wing Fai

Pursuant to Article 16.18 of the Articles of Association, Mr. Chen Minwen and Mr. Ng Wing Fai shall retire from office by rotation at the forthcoming AGM. Both the retiring Directors, being eligible, will offer themselves for re-election.

Pursuant to Rule 3.13 of the Listing Rules, the Company has received annual confirmations of independence from each of the independent non-executive Directors, and as at the date of this annual report still considers them to be independent.

Directors' and Senior Managements' Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 46 to 48 of this annual report.

Change of Director's/Chief Executive's Information

Mr. Fong Wo, Felix, an independent non-executive Director, resigned as an independent non-executive director, chairman for the remuneration committee and the nomination committee and a member of the audit committee and risk management committee of China Investment Development Limited (stock code: 204) with effect from 23 July 2018.

Mr. Cheng King Hoi, Andrew, an independent non-executive Director, has been appointed as an independent non-executive director, a member of the audit committee, remuneration committee and nomination committee of Sterling Group Holdings Limited (stock code: 1825) with effect from 21 September 2018. Sterling Group Holdings Limited is a company listed on the Main Board of the Stock Exchange in October 2018.

Directors' Service Contracts

Each of the Executive Directors entered into a service agreement with the Company for a term of three years commencing from 4 November 2010, which was renewed for three years commencing from 28 November 2013 and for a further term of three years commencing from 28 November 2016. They are subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the service agreement by giving the other party not less than six months' notice in writing or by the payment of wages in lieu of the outstanding notice.

The independent non-executive Director, Mr. Fong Wo, Felix, entered into an appointment letter with the Company for a term of two years commencing from 4 November 2010, which was renewed for two years commencing from 4 November 2012, 4 November 2014 and 4 November 2016, respectively, and for a further term of two years commencing from 4 November 2018. The other independent non-executive Director, Mr. Cheng King Hoi, Andrew, entered into an appointment letter with the Company for a term of two years commencing from 27 June 2012, which was renewed for two years commencing from 27 June 2014 and 27 June 2016, respectively, and for a further term of two years commencing from 27 June 2018. Another independent non-executive Director, Mr. Ng Wing Fai entered into an appointment letter with the Company for a term of two years commencing from 7 June 2016, which was renewed for two years commencing from 7 June 2018. They are subject to retirement by rotation and re-election at the annual general meeting of the Company under the Articles of Association. Either party may terminate the appointment by giving the other party not less than three months' notice in writing.

Apart from the foregoing, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Details of the remuneration of the Directors are set out in note 8 to the financial statements, which are recommended by the Remuneration Committee of the Company by reference to the performance of the individual and the Company as well as market practice and conditions.

Directors' material Interests in transactions, arrangements and contracts that are significant in relation to the Group's business

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which any Director or an entity connected with a Director was materially interested, either directly or indirectly, subsisted during or at the end of the Reporting Year.

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

As at 31 December 2018, the interests or short positions of the Directors, the chief executive of the Company (the "Chief Executive") and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, 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 share options during the Reporting Year under the New Share Option Scheme and was deemed to be interested in 900,000 underlying Shares in respect of share options granted.

Save as disclosed above, as at 31 December 2018, none of the Directors, the Chief Executive nor their associates had registered any 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 was 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.

Directors' Rights to Acquire Shares or debentures

Save as disclosed in the "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" section above and in "Share Option Scheme" below, at no time during the Reporting Year was the Company, its holding company or its subsidiaries or a subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company nor exercised any such right.

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 was to 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 fulltime 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 annual report, the total number of shares available for issue under the New Share Option Scheme was 94,882,576 Shares, representing approximately 10% of the total issued share capital of the Company as at the New Adoption Date.

(d) Maximum entitlement of each participants

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.

(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 Reporting Year were as follows:

				Number of share options					
Name or category of Grantees	Date of grant	Exercise price per Share (HK$)	Exercise period	Outstanding as at 1 January 2018	Granted during Reporting Year	Exercised during Reporting Year	Lapsed/ forfeited during Reporting Year	Outstanding as at 31 December 2018	Closing price of the Shares immediately before the grant date HK$ 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	
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, respectively, subject to the fulfillment of the performance targets that a 15% increase in net profit for the financial years ended 31 December 2015, 2016 and 2017, respectively, when compared to their immediate preceding financial year excluding all exceptional items in the consolidated statement of profit or loss. If the target net profit cannot be achieved in a particular financial year, only 50% of the share options granted to the executive Directors and the employees shall be vested, the remaining 50% of the options granted to them for that particular year shall lapse automatically.

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

Share Award Plan

The share award plan (the "Share Award Plan") was adopted by the Board on 27 August 2013 (the "Effective Date"). Under the Share Award Plan, the Share Award Plan Committee may, at any time and at its discretion, make an award to any eligible person ("Selected Person") and determine the number of Shares to be awarded to him on such terms and subject to such vesting conditions, if any, as the Share Award Plan Committee thinks fit. Since the Effective Date and up to 31 December 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 31 December 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.

(c) Maximum limit

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

(d) Operation

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

On 30 April 2016, 3,620,000 Shares were vested. As at 31 December 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

At 31 December 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	Beneficial of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Minwen	Long position	Beneficial of a trust *(Note 1)*	483,934,814	51.00%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Chen Mianna	Long position	Beneficial owner *(Note 4)*	45,543,636	4.80%
		Beneficial owner *(Note 3)*	3,000,000	0.32%
Evisu	Long position	Trustee of a trust *(Note 1)*	483,934,814	51.00%
Pacific Success	Long position	Beneficial owner *(Note 1)*	483,934,814	51.00%

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 2018, the Company has not been notified by any person (other than the Directors or chief executives) who had interests or short positions in the Shares or underlying Shares of the Company which would have to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Year.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the total issued share capital of the Company was held by the public as at the date of this annual report.

Directors' Interests in Competing Business

During the Reporting Year and up to the date of this annual report, none of the Directors had an interest in a business, which competes or may compete, either directly or indirectly, with the business of the Group.

Connected Transactions and Continuing Connected Transactions

During the Reporting Year, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of the Listing Rules.

Unlisted corporate bonds

On 31 March 2016, the Company entered into a placing agreement with CIS Securities Asset Management Limited ("CIS", previously known as Convoy Investment Services Limited) as placing agent for the placing of unlisted bonds of the Company up to an aggregate principal amount of HK$200 million (approximately RMB166.9 million) for the purpose of satisfying the needs of the Group's continuous business development. On 31 March 2017, the Company entered into another placing agreement (details of which are set out in the announcement of the Company dated 31 March 2017) with CIS as placing agent for the placing of unlisted bonds of the Company up to an aggregate principal amount of HK$100 million (approximately RMB88.8 million). During the Reporting Year, no new unlisted bond was issued by the Company in Hong Kong (2017: corporate bonds with aggregate principal amount of HK$132,400,000 (equivalent to approximately RMB114,711,000). As of 31 December 2018, the aggregate principal amount of the unlisted bonds was HK$193,900,000 (equivalent to approximately RMB168,985,000) which will mature on the date immediately following 12 months to 96 months after the issue date, subject to any early redemption requested by the Company. The outstanding bonds bear coupon rates ranging from 4.25% to 6.75% per annum, payable semi-annually in arrears.

Related Party Transactions

Details of the related party transactions undertaken by the Group during the year ended 31 December 2018 are set out in note 37 to the financial statements. These related party transactions either did not constitute connected transactions or continuing connected transactions or constituted connected transactions or continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

Permitted indemnity provisions

The Articles of Association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

Auditor

Ernst & Young will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Chan Yuk Ming
Chairman

Hong Kong
29 March 2019

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

As at the date of this report, the Board consists of six members, of whom three are independent non-executive Directors. The table below sets forth certain information of the Directors:

Name	Age	Position
Mr. CHAN Yuk Ming	50	Chairman and executive Director
Mr. CHEN Yunan	50	Executive Director
Mr. CHEN Minwen	43	Executive Director
Mr. FONG Wo, Felix	68	Independent non-executive Director
Mr. CHENG King Hoi, Andrew	60	Independent non-executive Director
Mr. NG Wing Fai	59	Independent non-executive Director

Executive Directors

Mr. CHAN Yuk Ming, aged 50, is the chairman and one of the executive Directors. He is the brother of Mr. Chen Yunan and Mr. Chen Minwen, who are also executive Directors. He is also an uncle of Ms. Chen Yanxia, a member of the senior management of the Company. Mr. Chan was designated as an executive Director and the chairman of the Board on 18 July 2008 and is also a director of Sunsonic Holdings Limited, Richwood Management Limited, Evergreen International Group Limited, Evergreen (Asia) Trading Company Limited ("Evergreen Asia"), Master (Hong Kong) Marketing Limited, Guangdong Evergreen Garment Co., Ltd. (長興（廣東）服飾有限公司, "Evergreen Guangdong"), Joy Business Investments Limited, Evergreen Brand Management Limited, Loyal City Holdings Limited and general manager of VE Delure SARL. He is primarily responsible for the Group's overall strategies, planning and business development. Mr. Chan graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a Degree of Bachelor of Arts in Public and Social Administration in 1993. In 2013, Mr. Chan received a Master of Business Administration degree from the J.L. Kellogg School of Management, Northernwestern University and the School of Business and Management, the University of Science and Technology. Mr. Chan acquired Evergreen Asia (which was formerly known as Hanbon (Hong Kong) Limited) in 1998 after he left his post of administration officer in Shun Hing Electronic Trading Co., Ltd. Mr. Chan will allocate substantially all of his time and resources to the Group's business.

Mr. CHEN Yunan, aged 50, is one of the executive Directors. He is the brother of Mr. Chan Yuk Ming and Mr. Chen Minwen, who are also executive Directors of the Company. He is also an uncle of Ms. Chen Yanxia, a member of the senior management of the Company. Mr. Chen Yunan was designated as an executive Director on 12 February 2010 and is also a director of each of Evergreen Guangdong, Guangzhou Changyue Trading Co., Ltd. (廣州市長越貿易有限公司, "Guangzhou Changyue") and Guangzhou Changzhuxing Trading Co. Ltd. (廣州市長珠興貿易有限公司, "Guangzhou Changzhuxing"). He is primarily responsible for our general management and production planning. Mr. Chen Yunan involves in the business operations of Evergreen Guangdong of which he is currently the general manager. Mr. Chen Yunan will allocate substantially all of his time and resources to the Group's business.

Mr. CHEN Minwen, aged 43, is one of the executive Directors. He is the brother of Mr. Chan Yuk Ming and Mr. Chen Yunan, who are also executive Directors of the Company. He is also an uncle of Ms. Chen Yanxia, a member of the senior management of the Company. Mr. Chen Minwen was designated as an executive Director on 12 February 2010 and is also a director of Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing. He is primarily responsible for our sales and marketing promotion and public relations and activities. Mr. Chen Minwen will allocate substantially all of his time and resources to our business.

Independent Non-Executive Directors

Mr. FONG Wo, Felix, BBS, JP, aged 68, was appointed as an independent non-executive Director on 8 October 2010. Mr. Fong was the founding partner of Arculli Fong & Ng (now renamed as King & Wood Mallesons) and is a consultant of King & Wood Mallesons. Mr. Fong received his engineering degree in Canada in 1974 and his Juris Doctor degree from Osgoode Hall Law School in Toronto in 1978.

Mr. Fong is a member of the law societies of Hong Kong and England, and is a honorary legal counsels of a number of non- profit organisations in Hong Kong such as The Chinese Manufacturers' Association of Hong Kong.

Mr. Fong is currently one of the China-appointed Attesting Officers in Hong Kong appointed by the Ministry of Justice of China. Mr. Fong undertook a number of community and social roles, such as the former Chairman of the Chinese Canadian Association of Hong Kong, the former Chairman of the Advisory Council on Food and Environmental Hygiene and a member of the Hong Kong Communications Authority. He is also a director of the Hong Kong Basic Law Institute Limited, and China Overseas Friendship Association. In the area of education, Mr. Fong is a founding member and the first governor of the Canadian International School of Hong Kong, and an advisor to the Faculty of Business of University of Victoria in Canada.

Currently, Mr. Fong is an independent non-executive director of a number of listed companies, namely Guangdong Land Holdings Limited (stock code: 124), Greenland Hong Kong Holdings Limited (stock code: 337), Sheen Tai Holdings Group Company Limited (stock code: 1335), Xinming China Holdings Limited (stock code: 2699) and Wuxi Biologics (Cayman) Inc. (stock code: 2269), whose stocks are listed on the Stock Exchange. Mr. Fong is also an independent non-executive director of Bank of Shanghai (Hong Kong) Limited.

Mr. Fong is a Justice of Peace and was awarded a Bronze Bauhinia Star by the Government of Hong Kong in recognition of his public service.

Mr. CHENG King Hoi, Andrew, aged 60, was appointed as an independent non-executive Director on 27 June 2012. He is the director of China Business of Kwoon Chung Bus Holdings Limited (stock code: 306), a company listed on the Main Board of the Stock Exchange after he resigned as its executive director in 2012. He is also the co-president of Overseas Teo Chew Entrepreneurs Association Limited and the committee member of Cantonese Opera Development Fund Advisory Committee. He is a member of the Australian Institute of Management NSW Ltd. He was a committee member of the eighth, ninth, tenth and eleventh Chinese People's Political Consultative Conference of Sichuan Province of Mainland China. He had worked in the banking industry for over 9 years. In 2013, Mr. Cheng received a Honorary Doctoral Degree of Business Administration from the Northern University, California, the United States of America. Mr. Cheng was appointed as an independent non-executive director of Sterling Group Holdings Limited (stock code: 1825) on 21 September 2018, whose shares have been listed on the stock Exchange since October 2018.

Mr. NG Wing Fai, aged 59, was appointed as an independent non-executive Director on 7 June 2016. He has over 18 years of experience in audit, taxation and consultancy in government and non-government institutes. Mr. Ng holds a bachelor's of arts degree in accountancy and a master's degree of arts in international accounting from City University of Hong Kong. He also holds a bachelor's degree with Honour in UK and Hong Kong law from The Manchester Metropolitan University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Institute of Chartered Accountants in England and Wales, a past president of the Society of Chinese Accountants & Auditors (2011), and a member of the Hong Kong Securities Institute. Mr. Ng is an independent non-executive director of China Automation Group Limited (stock code: 569) since June 2007, a company listed on the main board of the Stock Exchange. Mr. Ng has been appointed as an independent non-executive director of Honworld Group Limited (stock code: 2226), whose shares have been listed on the Stock Exchange since June 2017.

Senior Management

Mr. HUNG Hing Hung, aged 37, is the chief financial officer and company secretary of the Group. He joined the Group in January 2017 and is responsible for the Company's financial reporting, financial management, investor relations and corporate secretarial functions. Mr. Hung has over 12 years of experience in the field of auditing, accounting and finance. Prior to joining the Company, Mr. Hung held senior positions in different organisations, including in an international accounting firm and two companies listed on the Stock Exchange. Mr. Hung graduated from The Chinese University of Hong Kong and obtained a bachelor's degree in Business Administration (Professional Accountancy) in 2006. He is a fellow member of The Hong Kong Institute of Certified Public Accountant.

Mr. QIU Hongjie, aged 50, is the financial controller (PRC). He joined the Group in September 2014. Mr. Qiu studied Professional Accounting at the Guangzhou University in 1990 and obtained an associate degree from the China Central Radio and TV University in 2009, and subsequently obtained a master's degree in Business Administration awarded by the University of Wales in 2010. He has over 24 years of experience in the field of financial management, supply chain management, logistics management as well as investment and financing management. He worked in 龍浩天地股份有限公司 before joining the Group.

Ms. CHEN Yanxia, aged 38, is the direct sales operations director. She joined the Group in May 2000 and was the assistant to our general manager since 2006 and was then promoted to the position of deputy director of ***V.E. DELURE*** in February 2012 and was promoted to the operations director of ***TESTANTIN*** in June 2013 to manage the retail stores and distributors of ***TESTANTIN***. Ms. Chen was assigned to manage the self-operated stores of ***V.E. DELURE*** and ***TESTANTIN*** self-operated stores and the commodity department in March 2016. She has over 16 years of experience in sales and store management. She is the daughter of a cousin of Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen.

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真:+852 2868 4432
ey.com

To the shareholders of Evergreen International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Evergreen International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 134, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Inventory provision	
The Group was exposed to significant inventory obsolete and slow-moving risks. The determination of the provision depends on the future net recoverable amounts. The determination of the future recoverable amounts involves significant management's judgements and estimates of the market conditions, future inventory sales plans and so on. Relevant disclosures are included in notes 3 and 21 to the financial statements.	The audit procedures we performed on inventory provision, among others, included the following: • Observed the physical inspection of inventories and evaluated how management identified obsolete inventories; • Evaluated management's methodology on inventory provision; • Examined the mathematical accuracy of management's assessment; • Discussed and understood the future business plan with management in respect of the industry and economic trends, product portfolio and sales channel; • Tested the provision by comparing the cost of the inventories to the selling price from historical sales information and subsequent sales; • Considered past and subsequent sales records and sales rates of inventories of different age groups and different product brands for slow-moving or obsolete inventories; and • Compared the gross margin, ageing and turnover days with similar companies in the industry.

Key audit matter	How our audit addressed the key audit matter
Fair value of investment properties	
The fair value of the Group's investment properties, mainly office buildings, located in Guangzhou, was RMB329.9 million as at 31 December 2018. A revaluation surplus of RMB57.0 million was recorded in the consolidated statement of comprehensive income due to the transfer from owner-occupied properties to investment properties and an increase in fair value of RMB13.1 million was recognised in the consolidated statement of profit or loss for the year then ended. The fair value of the Group's investment properties was assessed by independent valuers (the "Valuers"). We identified the valuation of the Group's investment properties as a key audit matter because of the significance of investment properties to the consolidated financial statements and significant judgement and estimation involved in the determination of the fair value, particularly in selecting the appropriate valuation methodology. Relevant disclosures are included in notes 3 and 14 to the financial statements.	The audit procedures we performed on the fair value of investment properties, among others, included the following: • Evaluated the independence, competence, capabilities and objectivity of the Valuers; • Obtained and inspected the investment properties valuation reports prepared by the Valuers; • Assessed the valuation methodology, key assumptions and estimates used in the valuations, based on evidence of comparable market transactions and other publicly available information of the property industry; • Assessed the completeness and consistency of information provided by the Group to the Valuers; • Evaluated the accuracy of the key inputs used in the valuation; and • Involved our valuation specialist in assisting us to review the valuation.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Hui Kin Fai, Stephen.

Ernst & Young
Certified Public Accountants

Hong Kong

29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**284,521**	335,469
Cost of sales		**(131,662)**	(128,664)
Gross profit		**152,859**	206,805
Other income and gains	5	**37,019**	14,788
Selling and distribution expenses		**(185,450)**	(214,692)
Administrative expenses		**(47,183)**	(59,332)
Other expenses		**(16,796)**	(50,845)
Finance costs	7	**(25,943)**	(24,971)
LOSS BEFORE TAX	6	**(85,494)**	(128,247)
Income tax expense	10	**(26,317)**	(10,731)
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**(111,811)**	(138,978)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	12	**RMB (11.8) cents**	RMB (14.6) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
LOSS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		**(111,811)**	(138,978)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Mainland China		**(21,960)**	27,251
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(21,960)**	27,251
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value		**1,697**	–
Income tax effect	*29*	**(424)**	–
		1,273	–
Gains on property revaluation		**75,948**	–
Income tax effect	*29*	**(18,987)**	–
		56,961	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**58,234**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**36,274**	27,251
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(75,537)**	(111,727)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**106,434**	354,943
Investment properties	14	**329,854**	–
Prepaid land lease payment	15	**44,162**	45,124
Goodwill	16	**–**	1,880
Other intangible asset	17	**4,031**	3,845
Long term lease prepayment	18	**61,016**	62,596
Available-for-sale investments	19	**–**	36,800
Equity investments designated at fair value through other comprehensive income	19	**27,830**	–
Financial asset at fair value through profit or loss	20	**–**	–
Deferred tax assets	29	**–**	18,921
Total non-current assets		**573,327**	524,109
CURRENT ASSETS			
Inventories	21	**112,474**	160,746
Trade receivables	22	**63,342**	79,506
Prepayments, other receivables and other assets	23	**27,163**	38,048
Tax recoverable		**–**	2,974
Cash and cash equivalents	24	**458,681**	434,403
Total current assets		**661,660**	715,677
CURRENT LIABILITIES			
Trade payables	25	**26,768**	17,310
Other payables and accruals	26	**63,764**	56,372
Interest-bearing bank and other borrowings	27	**119,018**	160,686
Amount due to the ultimate holding company	37	**87,472**	–
Tax payable		**1,799**	2,856
Total current liabilities		**298,821**	237,224
NET CURRENT ASSETS		**362,839**	478,453
TOTAL ASSETS LESS CURRENT LIABILITIES		**936,166**	1,002,562

Consolidated Statement of Financial Position (Continued)

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*27*	**117,825**	132,477
Deferred tax liabilities	*29*	**23,605**	–
Total non-current liabilities		**141,430**	132,477
Net assets		**794,736**	870,085
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital	*30*	**829**	829
Reserves	*32*	**793,907**	869,256
Total equity		**794,736**	870,085

CHAN Yuk Ming
Director

CHEN Yunan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Note	Attributable to ordinary equity holders of the Company											
		Share capital RMB'000 (note 30)	Share premium account RMB'000 (note 41)	Shares held for the Share Award Plan RMB'000 (note 32(v))	Acquisition reserve RMB'000 (note 32(iii))	Merger reserve RMB'000 (note 32(i))	Statutory surplus reserve RMB'000 (note 32(ii))	Capital redemption reserve RMB'000 (note 32(iv))	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000 (note 31)	Share award reserve RMB'000 (note 32(v))	Retained profits RMB'000	Total RMB'000
At 1 January 2017		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 year		–	–	–	–	–	–	–	–	–	–	(138,978)	(138,978)
Other comprehensive income for the year:													
Exchange differences on translation of operations outside Mainland China		–	–	–	–	–	–	–	27,251	–	–	–	27,251
Total comprehensive loss for the year		–	–	–	–	–	–	–	27,251	–	–	(138,978)	(111,727)
2017 interim dividend		–	(151,812)	–	–	–	–	–	–	–	–	–	(151,812)
Equity-settled share option scheme	31	–	–	–	–	–	–	–	–	928	–	–	928
Transfer from retained profits		–	–	–	–	–	412	–	–	–	–	(412)	–
At 31 December 2017		829	519,800*	(26)*	2,639*	1,072*	79,791*	28*	(32,865)*	5,394*	(3,097)*	296,520*	870,085

	Note	Attributable to ordinary equity holders of the Company													
		Share capital RMB'000 (note 30)	Share premium account RMB'000 (note 41)	Shares held for the Share Award Plan RMB'000 (note 32(v))	Acquisition reserve RMB'000 (note 32(iii))	Merger reserve RMB'000 (note 32(i))	Statutory surplus reserve RMB'000 (note 32(ii))	Capital redemption reserve RMB'000 (note 32(iv))	Assets revaluation reserve RMB'000	Fair value reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000 (note 31)	Share award reserve RMB'000 (note 32(v))	Retained profits RMB'000	Total RMB'000
At 1 January 2018		829	519,800	(26)	2,639	1,072	79,791	28	-	-	(32,865)	5,394	(3,097)	296,520	870,085
Loss for the year		-	-	-	-	-	-	-	-	-	-	-	-	(111,811)	(111,811)
Other comprehensive income/(loss) for the year:															
Change in fair value of equity investments at fair value through other comprehensive income, net of tax		-	-	-	-	-	-	-	-	1,273	-	-	-	-	1,273
Revaluation of investment properties, net of tax		-	-	-	-	-	-	-	56,961	-	-	-	-	-	56,961
Exchange differences on translation of operations outside Mainland China		-	-	-	-	-	-	-	-	-	(21,960)	-	-	-	(21,960)
Total comprehensive loss for the year		-	-	-	-	-	-	-	56,961	1,273	(21,960)	-	-	(111,811)	(75,537)
Equity-settled share option scheme	31	-	-	-	-	-	-	-	-	-	-	188	-	-	188
At 31 December 2018		829	519,800*	(26)*	2,639*	1,072*	79,791*	28*	56,961*	1,273*	(54,825)*	5,582**	(3,097)*	184,709*	794,736

* These reserve accounts comprise the consolidated reserves of RMB793,907,000 (2017: RMB869,256,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(85,494)**	(128,247)
Adjustments for:			
Finance costs	*7*	**25,943**	24,971
Foreign exchange (gain)/loss		**(14,063)**	22,137
Bank interest income	*5*	**(1,742)**	(11,953)
Dividend income from an equity investment at fair value through other comprehensive income/available-for-sale investment	*5*	**–**	(1,855)
Loss on disposal of items of property, plant and equipment	*6*	**–**	3,465
Impairment of trade receivables	*6*	**4,863**	5,543
Impairment of other receivables	*6*	**1,891**	1,205
Write-down of inventories to net realisable value	*6*	**7,901**	16,790
Depreciation	*13*	**13,840**	24,509
Changes in fair value of investment properties	*14*	**(13,139)**	–
Recognition of a prepaid land lease payment	*15*	**962**	962
Impairment for goodwill	*16*	**1,880**	–
Amortisation of a long term lease prepayment	*18*	**1,580**	1,582
Equity-settled share option expense	*31*	**188**	928
		(55,390)	(39,963)
Decrease in inventories		**40,110**	13,709
Decrease in trade receivables		**11,289**	1,836
Decrease in prepayments, other receivables and other assets		**8,955**	6,657
Increase in trade payables		**9,450**	4,337
Increase in other payables and accruals		**9,973**	11,098
Cash generated from/(used in) operations		**24,387**	(2,326)
Interest received		**1,742**	23,519
Interest element of finance lease rental payments		**(12)**	(17)
Mainland China corporate income tax paid		**(1,285)**	(2,975)
Mainland China withholding corporate income tax paid	*10*	**–**	(8,478)
Hong Kong profits tax paid		**–**	(728)
Net cash flows from operating activities		**24,832**	8,995

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Net cash flows from operating activities		**24,832**	8,995
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(5,437)**	(2,188)
Proceeds from disposal of items of property, plant and equipment		**–**	(107)
Dividend income from an equity investment at fair value through other comprehensive income/available-for-sale investment		**–**	1,855
Return of an equity investment at fair value through other comprehensive income/available-for-sale investment		**10,667**	–
Decrease in time deposits and pledged deposits		**–**	521,920
Net cash flows from investing activities		**5,230**	521,480
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**118,739**	168,744
Repayment of bank loans		**(180,648)**	(305,386)
Proceeds from issue of corporate bonds	*27*	**–**	114,711
Payment for the transaction costs of corporate bonds		**–**	(22,792)
Repayment of corporate bonds	*27*	**(7,852)**	(5,632)
Increase in an amount due to the ultimate holding company		**87,472**	–
Dividend paid		**–**	(151,812)
Capital element of finance lease rental payments		**(119)**	(123)
Interest paid		**(23,389)**	(12,760)
Net cash flows used in financing activities		**(5,797)**	(215,050)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**24,265**	315,425
Cash and cash equivalents at beginning of year		**434,403**	120,252
Effect of foreign exchange rate changes, net		**13**	(1,274)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**458,681**	434,403
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*24*	**458,681**	434,403
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows		**458,681**	434,403

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Group was principally engaged in the manufacture 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 holding company and the ultimate holding company of the Company is Pacific Success Holdings Limited ("Pacific Success"), which was incorporated in the British Virgin Islands (the "BVI").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Sunsonic Holdings Limited	BVI/Hong Kong	US$1/ US$50,000	100	–	Investment holding
Richwood Management Limited	BVI/Hong Kong	US$1/ US$50,000	–	100	Holding of trademarks and investment holding
Evergreen International Group Limited (長興集團(國際)有限公司)	Hong Kong	HK$1,000,000/ HK$1,000,000	–	100	Investment holding and trading of garment products
Evergreen (Asia) Trading Company Limited (長興(亞洲)貿易有限公司)	Hong Kong	HK$10,000/ HK$10,000	–	100	Trading of garment products and accessories
Master (Hong Kong) Marketing Limited (萬事達(香港)市場策劃有限公司)	Hong Kong	HK$2/ HK$10,000	–	100	Retailing and trading of garment products
Guangdong Evergreen Garment Co., Ltd. (長興(廣東)服飾有限公司) *#	PRC/Mainland China	HK$900,000,000/ HK$900,000,000	–	100	Manufacture and sale of clothing and clothing accessories
Guangzhou Changyue Trading Co., Ltd. (廣州市長越貿易有限公司) *#	PRC/Mainland China	RMB30,000,000/ RMB30,000,000	–	100	Sale of clothing and clothing accessories
Guangzhou Changzhuxing Co., Ltd. (廣州市長珠興貿易有限公司) *#	PRC/Mainland China	RMB20,000,000/ RMB20,000,000	–	100	Sale of clothing and clothing accessories
SARL VE Delure*	France/Hong Kong	EUR8,000/ EUR8,000	–	100	Holding of trademarks
Asia Effort Limited* (振亞一人有限公司)	Macau	MOP25,000/ MOP25,000	–	100	Retailing and trading of garment products
Joy Business Investments Limited	BVI/Hong Kong	US$1/ US$50,000	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Best Ascent Limited (必陞有限公司)	Hong Kong	HK$500,000/ HK$500,000	–	100	Retailing and trading of garment products
Glorious Wave Limited (滔榮有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Loyal City Holdings Limited	BVI/Hong Kong	HK$1/HK$1	–	100	Investment holding
Orient Well Holdings Limited	BVI/Hong Kong	HK$1/HK$1	–	100	Investment holding
Evergreen International Brands Holding Limited	BVI/Hong Kong	HK$1/HK$1	–	100	Investment holding
Sincere Star Limited (星信有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Joyful Art Limited (雅怡有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Evergreen Brand Management Limited (長興品牌管理有限公司)	Hong Kong	HK$300,000/ HK$300,000	–	100	Management of children's wear brands
Leader Power Development Limited (龍柏發展有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Ascent Development Limited (天陞發展有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Ocean Sense Limited (洋智有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Profit Goal Development Limited (盈智發展有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Bloom Union Limited (新群有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
King Top Investments Limited (啟天投資有限公司)	Hong Kong	HK$1/HK$1	–	100	Retailing and trading of garment products
Evergreen Brand Management (Macau) Limited* (長興品牌管理(澳門)有限公司)	Macau	MOP25,000/MOP25,000	–	100	Retailing and trading of garment products

* The statutory financial statements of these entities are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

All these companies are wholly-foreign-owned enterprises under the laws of the PRC. The English names of the Company's subsidiaries registered in Mainland China represent the translated names of these companies as no English names have been registered.

2.1 BASIS OF PREPARATION

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

As at 31 December 2018, a subsidiary did not meet a financial covenant requirement of a long term loan provided by a bank in Mainland China. As set out in the respective loan agreement, the bank has the rights to demand for immediate repayment from the subsidiary when it becomes aware of the non-compliance incidence. Management has reported the non-compliance incidence to the bank during the year, 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 RMB34,920,000 (as referred to note 27(d)) was recorded in short term liability as at 31 December 2018 (2017: RMB75,660,000).

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to IFRS 4 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) 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 has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) (continued)

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement				IFRS 9 measurement	
				Re-			
		Category	Amount	classification	ECL	Amount	Category
	Notes		RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets							
Available-for-sale investments		AFS[2]	36,800	(36,800)	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)	N/A	–	36,800	–	36,800	FVOCI[1] (equity)
To: Financial assets at fair value through profit or loss	(ii)	N/A	–	–	–	–	FVPL[5]
Trade receivables		L&R[3]	79,506	–	–	79,506	AC[4]
Financial assets included in prepayments, other receivables and other assets		L&R	19,635	–	–	19,635	AC
Cash and cash equivalents		L&R	434,403	–	–	434,403	AC
			570,344	–	–	570,344	
Financial liabilities							
Trade payables		AC	17,310	–	–	17,310	AC
Financial liabilities included in other payables and accruals		AC	11,107	–	–	11,107	AC
Interest-bearing bank and other borrowings		AC	293,163	–	–	293,163	AC
			321,580	–	–	321,580	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost
5 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) The Group has classified a listed equity investment previously classified as an available-for-sale investment as financial asset measured at fair value through profit or loss as the equity investment did not pass the contractual cash flow characteristics test in IFRS 9.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in notes 19, 20, 22 and 23 to the financial statements.

	Impairment allowances under IAS 39 at 31 December 2017 RMB'000	Re-measurement RMB'000	ECL allowances under IFRS 9 at 1 January 2018 RMB'000
Available-for-sale investments under IAS 39/ Equity investments designated at fair value through other comprehensive income under IFRS 9	7,300	–	7,300
Available-for-sale investment under IAS 39/ Financial asset at fair value through profit or loss under IFRS 9	50,502	–	50,502
Trade receivables	6,850	–	6,850
Financial assets included in prepayments, other receivables and other assets	1,205	–	1,205
	65,857	–	65,857

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is 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. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The initial application of IFRS 15 had no impact on the opening balance of retained profits as at 1 January 2018. The comparative information was not restated and continues to be reported under IAS 18 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Notes	**Increase/ (decrease) RMB'000**
Assets		
Inventories	(i)	**(1,206)**
Prepayments, other receivables and other assets — right-of-return assets	(i)	**1,206**
Trade receivables	(i)	**1,287**
Total assets		**1,287**
Liabilities		
Other payables and accruals — contract liabilities	(ii)	**18,365**
Other payables and accruals — advances from customers	(ii)	**(18,365)**
Other payables and accruals — refund liabilities	(i)	**1,287**
Total liabilities		**1,287**

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

	Notes	**Amounts prepared under IFRS 15 RMB'000**	**Amounts prepared under Previous IFRS RMB'000**	**Increase/ (decrease) RMB'000**
Inventories	(i)	**112,474**	**112,977**	**(503)**
Prepayments, other receivables and other assets — right-of-return assets	(i)	**503**	**–**	**503**
Trade receivables	(i)	**63,342**	**62,965**	**377**
Total assets		**176,319**	**175,942**	**377**
Other payables and accruals — contract liabilities	(ii)	**22,247**	**–**	**22,247**
Other payables and accruals — advances from customers	(ii)	**–**	**22,247**	**(22,247)**
Other payables and accruals — refund liabilities	(i)	**377**	**–**	**377**
Total liabilities		**22,624**	**22,247**	**377**

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) (continued)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

(i) Sale of clothing products with variable consideration

Some contracts for the sale of clothing products provide customers with a right of return. Before adopting IFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. If revenue could not be reliably measured, the Group deferred the recognition of revenue until the uncertainty was resolved. Under IFRS 15, rights of return give rise to variable consideration which is determined using the expected value method or the most likely amount method.

Rights of return

For a contract that provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns based on the average historical return rate. Before the adoption of IFRS 15, the amount of revenue related to the expected returns was adjusted and recognised by deducting trade receivables in the statement of financial position with a corresponding adjustment to cost of sales. The initial carrying amount of goods expected to be returned was included in inventories.

Upon adoption of IFRS 15, the Group recognised a right-of-return asset which is included in prepayments, other receivables and other assets and is measured at the former carrying amount of the goods to be returned less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. In addition, a refund liability was recognised based on the amount that the Group expects to return to the customers using the expected value method. Accordingly, the Group reclassified trade receivables of RMB1,287,000 to refund liabilities as included in other payables and accruals and reclassified inventories of RMB1,206,000 to right-of-return assets as included in prepayments, other receivables and other assets as at 1 January 2018. There were no additional refund liabilities and right-of-return assets as at 1 January 2018 during the remeasurement.

As at 31 December 2018, the adoption of IFRS 15 resulted in an increase in prepayments, other receivables and other assets and a decrease in inventories of RMB503,000 and RMB503,000, respectively. Besides, refund liabilities were increased by RMB377,000 and trade receivables were decreased by RMB377,000, respectively.

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB18,365,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB22,247,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of clothing products.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021 (tentatively decided to defer one more year to 1 January 2022)
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Further information about those IFRSs that are expected to be applicable to the Group is described below:

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB7,728,000 and lease liabilities of RMB7,728,000 will be recognised at 1 January 2019.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.33%
Plant and machinery	20.00%
Office and other equipment	20.00%–46.00%
Motor vehicles	10.00%–33.00%
Leasehold improvements	33.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Long term lease prepayment

Amortisation of the long-term lease prepayment is calculated on the straight-line basis over the lease period.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, 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 of not adjusting the effect of a significant financing component, 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 accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

(a) *Financial assets at amortised cost (debt instruments)*
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.

- 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 method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

(b) *Financial assets at fair value through other comprehensive income (debt instruments)*
The Group measures debt investments at fair value through other comprehensive income 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.

- 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) *(continued)*

Subsequent measurement *(continued)*

(b) Financial assets at fair value through other comprehensive income (debt instruments) (continued)

For debt investments at fair value through other comprehensive income, 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 other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

(c) Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income 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 the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, 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 other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

(d) 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 other comprehensive income, 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 derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policy set out for “Revenue recognition (applicable before 1 January 2018)” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) *(continued)*

Subsequent measurement *(continued)*

Available-for-sale financial investments (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

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.

General approach

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).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 1 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 assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, 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 the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" required judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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, other payables, an amount due to the ultimate holding company and accruals and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of clothing products

Revenue from the sale of clothing products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the clothing products.

Some contracts for the sale of clothing products provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

(a) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(b) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable from 1 January 2018) *(continued)*

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Right-of-return assets (applicable from 1 January 2018)

A right-of-return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned goods.

Refund liabilities (applicable from 1 January 2018)

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates a share option scheme and a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including the Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. Further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. When awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee retirement benefits

As stipulated by the rules and regulations of Mainland China, the Company's subsidiaries registered in Mainland China are required to contribute to a state-sponsored retirement plan for all its Mainland China employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

Under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, the Company's subsidiaries registered in Hong Kong operate a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The costs of employee retirement benefits are recognised as expenses in the consolidated statement of profit or loss in the period in which they are incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. The Company's functional currency is Hong Kong dollars ("HK$"). These financial statements are presented in RMB for the convenience of the users of the financial statements as RMB is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of Hong Kong and overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Hong Kong and overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Withholding taxes arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distribution of dividends from subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends or on whether the subsidiaries of the Group are determined to be Chinese resident enterprises by the PRC governing tax authorities in the future. Management considered that it is not probable that the Group's subsidiaries in Mainland China will distribute retained profits as at the end of each of the reporting periods in the foreseeable future, and accordingly no provision for withholding tax was made. Where the final outcome of these matters is different from the amounts originally rewarded, the difference will impact the deferred tax provision in the period in which the difference arises.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration for returns and volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of industrial products with rights of return and volume rebates.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2018, the amount recognised as refund liabilities was RMB377,000 for the expected returns and volume rebates.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16.

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment made.

Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group considers various factors, such as technical or commercial obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2018 was RMB329,854,000 (2017: Nil). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the provision requires management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying amounts of inventories and result in additional write-down charge/write-back of provision for inventories in the period in which such estimate has been changed.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 29 to the financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 39 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. Further details are included in notes 19 and 39 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

6. LOSS BEFORE TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of inventories sold		131,662	128,664
Depreciation	13	13,840	24,509
Changes in fair value of investment properties**	14	(13,139)	–
Recognition of prepaid land lease payment	15	962	962
Amortisation of long term lease prepayment	18	1,580	1,582
Operating lease rental expense:			
— Minimum lease payments		14,636	26,555
— Contingent rents		87,711	84,398
		102,347	110,953
Auditor's remuneration		1,891	1,855
Employee benefit expense (excluding Directors' remuneration (note 8)):			
— Wages and salaries		43,236	54,862
— Pension scheme contributions		5,133	5,950
— Equity-settled share option expense		104	553
		48,473	61,365
Write-down of inventories to net realisable value*	21	7,901	16,790
Loss on disposal of items of property, plant and equipment		–	3,465
Impairment of trade receivables*	22	4,863	5,543
Impairment of financial assets included in prepayments, other receivables and other assets*		1,891	1,205
Impairment of goodwill*	16	1,880	–
Foreign exchange differences, net		(13,991)**	22,908*

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

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

7. FINANCE COSTS

	Note	2018 RMB'000	2017 RMB'000
Interest on bank and other borrowings		9,494	12,050
Interest on bonds payable	27	16,437	12,904
Interest on a finance lease		12	17
		25,943	24,971

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 RMB'000	2017 RMB'000
Fees	609	624
Other emoluments:		
Salaries, allowances and benefits in kind	6,544	7,152
Equity-settled share option expense	84	375
Pension scheme contributions	109	106
	6,737	7,633
	7,346	8,257

During the prior years, share options were granted to the Directors in respect of their services to the Group, further details of which are set out in note 31 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above Directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 Fees RMB'000	2017 Fees RMB'000
Mr. FONG Wo, Felix	203	208
Mr. CHENG King Hoi, Andrew	203	208
Mr. NG Wing Fai	203	208
	609	624

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018				
Executive directors:				
CHAN Yuk Ming (陳育明)	**2,269**	**28**	**15**	**2,312**
CHEN Yunan (陳育南)	**2,137**	**28**	**47**	**2,212**
CHEN Minwen (陳敏文)	**2,138**	**28**	**47**	**2,213**
	6,544	**84**	**109**	**6,737**

	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2017				
Executive directors:				
CHAN Yuk Ming (陳育明)	2,786	125	16	2,927
CHEN Yunan (陳育南)	2,183	125	45	2,353
CHEN Minwen (陳敏文)	2,183	125	45	2,353
	7,152	375	106	7,633

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three executive directors (2017: three executive directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**2,541**	2,933
Equity-settled share option expense	**32**	151
Pension scheme contributions	**53**	60
	2,626	3,144

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
Nil to RMB1,000,000	**1**	1
RMB1,000,001 to RMB1,500,000	**–**	–
RMB1,500,001 to RMB2,000,000	**1**	–
RMB2,000,001 to RMB2,500,000	**–**	1
	2	2

During the prior years, share options were granted to the non-director and non-chief executive highest paid employee in respect of their services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of these share options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

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 the BVI in both 2018 and 2017 since the applicable profits tax rate was zero.

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

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

10. INCOME TAX *(continued)*

	2018 RMB'000	2017 RMB'000
Current — Charge for the year		
Hong Kong	–	728
Mainland China	3,202	2,289
Withholding tax at 5% on the distributed profits of a Group's PRC subsidiary	–	8,478
Deferred (note 29)	23,115	(764)
Total tax charge for the year	26,317	10,731

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2018 RMB'000	2018 %	2017 RMB'000	2017 %
Loss before tax	(85,494)		(128,247)	
Tax at the statutory tax rate	(21,374)	25.00	(32,062)	25.00
Lower tax rates enacted by local authorities	7,859	(9.19)	25,640	(19.99)
Effect of withholding tax at 5% on the distributed profits of a Group's PRC subsidiary	–	–	8,478	(6.61)
Income not subject to tax	(3,613)	4.22	(9,682)	7.55
Expenses not deductible for tax	260	(0.30)	3,776	(2.95)
Tax losses not recognised	43,185	(50.51)	14,581	(11.37)
Tax charge at the Group's effective rate	26,317	(30.78)	10,731	(8.37)

11. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Interim — Nil (2017: RMB16 cents per ordinary share)	–	151,812

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

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

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

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

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 1 January 2018:							
Cost	369,888	1,274	7,780	13,217	28,172	–	420,331
Accumulated depreciation and impairment	(29,346)	(1,191)	(6,688)	(10,036)	(18,127)	–	(65,388)
Net carrying amount	340,542	83	1,092	3,181	10,045	–	354,943
At 1 January 2018, net of accumulated depreciation and impairment	340,542	83	1,092	3,181	10,045	–	354,943
Additions	–	–	441	–	5,346	283	6,070
Transfer to investment properties (note 14)	(240,767)	–	–	–	–	–	(240,767)
Depreciation provided during the year (note 6)	(6,228)	–	(500)	(777)	(6,335)	–	(13,840)
Exchange realignment	–	–	(18)	17	29	–	28
At 31 December 2018, net of accumulated depreciation and impairment	93,547	83	1,015	2,421	9,085	283	106,434
At 31 December 2018:							
Cost	105,145	1,274	7,767	13,428	22,343	283	150,240
Accumulated depreciation and impairment	(11,598)	(1,191)	(6,752)	(11,007)	(13,258)	–	(43,806)
Net carrying amount	93,547	83	1,015	2,421	9,085	283	106,434

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2017						
At 1 January 2017:						
Cost	369,796	1,274	10,467	13,603	44,279	439,419
Accumulated depreciation and impairment	(18,834)	(1,191)	(7,707)	(9,126)	(23,080)	(59,938)
Net carrying amount	350,962	83	2,760	4,477	21,199	379,481
At 1 January 2017, net of accumulated depreciation and impairment	350,962	83	2,760	4,477	21,199	379,481
Additions	92	–	129	–	3,570	3,791
Disposals	–	–	(468)	(4)	(2,886)	(3,358)
Depreciation provided during the year (note 6)	(10,512)	–	(1,282)	(1,227)	(11,488)	(24,509)
Exchange realignment	–	–	(47)	(65)	(350)	(462)
At 31 December 2017, net of accumulated depreciation and impairment	340,542	83	1,092	3,181	10,045	354,943
At 31 December 2017:						
Cost	369,888	1,274	7,780	13,217	28,172	420,331
Accumulated depreciation and impairment	(29,346)	(1,191)	(6,688)	(10,036)	(18,127)	(65,388)
Net carrying amount	340,542	83	1,092	3,181	10,045	354,943

The net carrying amount of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 December 2018 was RMB250,000 (2017: RMB277,000).

At 31 December 2017, certain buildings with a net carrying amount of approximately RMB340,542,000 were pledged to secure banking facilities granted to the Group.

14. INVESTMENT PROPERTIES

	2018 RMB'000
Carrying amount at 1 January	–
Transfer from owner-occupied properties at 1 June (note 13)	240,767
Revaluation surplus related to the transfer from owner-occupied properties	75,948
Net gain from a fair value adjustment at 31 December	13,139
Carrying amount at 31 December	329,854

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

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

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

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 35 to the financial statements.

At 31 December 2018, the Group's investment properties with a carrying value of RMB329,854,000 (31 December 2017: Nil) were pledged to secure general banking facilities granted to the Group (note 27).

Further particulars of the Group's investment properties are included on page 135.

14. INVESTMENT PROPERTIES *(continued)*

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 31 December 2018 using significant observable inputs (Level 2) RMB'000
Commercial properties	329,854

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

15. PREPAID LAND LEASE PAYMENT

	Notes	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January		46,086	47,048
Recognition during the year	*6*	(962)	(962)
Carrying amount at 31 December		45,124	46,086
Current portion included in prepayments, other receivables and other assets	*23*	(962)	(962)
Non-current portion		44,162	45,124

16. GOODWILL

	Note	RMB'000
Cost and net carrying amount at 31 December 2017		1,880
Cost at 1 January 2018, net of accumulated impairment		1,880
Impairment during the year	*6*	(1,880)
At 31 December 2018		–

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the product selling cash-generating unit for impairment testing. The recoverable amount is determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a three-year period. The pre-tax discount rate applied to the cash flow projection is 21%. The growth rate used to extrapolate the cash flows for the second and third years reflects current market assessments of the time value of money and the risks specific to the asset.

Assumptions were used in the value in use calculation of the product selling cash-generating unit for 31 December 2018 and 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of the retail industry, discount rate and raw materials price inflation are consistent with external information sources.

17. OTHER INTANGIBLE ASSET

	2018 RMB'000	2017 RMB'000
Golf club debenture	**4,031**	3,845

The golf club debenture represents a club membership in Hong Kong. The Directors consider that no impairment of the balance of the golf club debenture is required as its fair value was higher than its carrying value as at 31 December 2018.

18. LONG TERM LEASE PREPAYMENT

	Note	2018 RMB'000	2017 RMB'000
At 1 January, net of accumulated amortisation		**62,596**	64,178
Amortisation provided during the year	*6*	**(1,580)**	(1,582)
Net carrying amount		**61,016**	62,596

The long term lease prepayment was amortised on a straight-line basis over the lease period.

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	Notes	2018 RMB'000	2017 RMB'000
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investments, at fair value:			
PRC investment 1	*(a)*	**27,830**	–
PRC investment 2	*(b)*	**–**	–
		27,830	–
Available-for-sale investments			
Unlisted equity investments, at cost net of accumulated impairment:		**–**	36,800

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

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

As at 31 December 2017, unlisted equity investments with a carrying amount of RMB36,800,000 were stated at cost of RMB44,100,000 less impairment of RMB7,300,000 because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Notes:

(a) The Group's equity investment designated at fair value through other comprehensive income as at 31 December 2018 represented an unlisted equity investment through which the Group subscribed a 16% equity interest in an investment fund in the PRC.

(b) The Group's equity investment designated at fair value through other comprehensive income as at 31 December 2018 represented an unlisted equity investment through which the Group subscribed a 9.125% equity interest in an unlisted company in the PRC.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Listed equity investment, at fair value:	–	–

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

The above equity investment at 31 December 2018 was classified as a financial asset at fair value through profit or loss as it was held for trading.

21. INVENTORIES

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

The amount of the inventory provision recognised for the year ended 31 December 2018 was RMB7,901,000 (2017: RMB16,790,000) (note 6).

22. TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**75,055**	86,356
Impairment	**(11,713)**	(6,850)
	63,342	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 large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

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

The movements in the loss allowance for impairment of trade receivables are as follows:

	Note	2018 RMB'000	2017 RMB'000
At beginning of year		**6,850**	1,307
Impairment losses	*6*	**4,863**	5,543
At end of year		**11,713**	6,850

22. TRADE RECEIVABLES *(continued)*

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due				
	Current	Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Expected credit loss rate	1.4%	0.4%	1.0%	6.3%	93.9%	15.6%
Gross carrying amount (RMB'000)	46,800	4,234	6,801	5,925	11,295	75,055
Expected credit losses (RMB'000)	644	18	70	371	10,610	11,713

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017, was a provision for individually impaired trade receivables of RMB6,850,000 with a carrying amount before provision of RMB15,392,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017 RMB'000
Neither past due nor impaired	62,352
Less than 3 months past due	1,940
3 to 6 months past due	2,683
6 months to 1 year past due	1,377
Over 1 year past due	2,612
	70,964

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

22. TRADE RECEIVABLES *(continued)*

Impairment under IAS 39 for the year ended 31 December 2017 *(continued)*

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the Directors were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	**2018 RMB'000**	2017 RMB'000
Deposits and other receivables		**22,310**	32,521
Prepayments		**6,484**	5,770
Right-of-return assets		**503**	–
Current portion of prepaid land lease payment	15	**962**	962
		30,259	39,253
Impairment allowance		**(3,096)**	(1,205)
		27,163	38,048

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. As at 31 December 2018, the expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2018 was 10%.

24. CASH AND CASH EQUIVALENTS

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**458,681**	434,403

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB456,741,000 (2017: RMB419,699,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES

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

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

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

26. OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000
Contract liabilities — sales of goods	**22,247**	–
Other payables	**35,444**	32,779
Refund liabilities	**377**	–
Advances from customers	**–**	18,365
Advance rental from lessees	**1,976**	–
Deferred revenue	**1,680**	1,769
Accruals	**2,040**	3,459
	63,764	56,372

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loan — secured	6.09	2019	50,000	6.55	2018	66,000
Bank loans — secured	5.22	On demand	34,920	2.55–5.22	On demand	82,725
Bank loan — unsecured	2.50–2.75	On demand	6,685	2.56–2.74	On demand	4,339
Finance lease payables (note 28)	4.4	2019	124	4.4	2018	118
Corporate bonds (note c)	10.33–11.09	2019	27,289	10.23–10.70	2018	7,504
			119,018			160,686
Non-current						
Finance lease payables (note 28)	4.4	2020	124	4.4	2019–2020	237
Corporate bonds (note c)	10.69–12.85	2019–2025	117,701	10.33–12.85	2019–2025	132,240
			117,825			132,477
			236,843			293,163

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	91,605	153,064
Other borrowings repayable:		
Within one year	27,413	7,622
In the second year	23,436	24,916
In the third to fifth years, inclusive	31,444	49,573
Beyond five years	62,945	57,988
	145,238	140,099
	236,843	293,163

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

(a) Certain of the Group's bank loans are secured by mortgages over the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately RMB329,854,000 (2017: Nil) (note 14).

(b) As at 31 December 2018, the Group's bank loans were denominated in Hong Kong dollars, Renminbi and Euro with aggregate amounts of RMB4,381,000 (2017: RMB6,094,000), RMB84,920,000 (2017: RMB141,660,000) and RMB2,304,000 (2017: RMB5,310,000), respectively.

(c) Corporate bonds

During the year ended 31 December 2018, no new unlisted corporate bond was issued by the Company in Hong Kong (2017: corporate bonds with an aggregate principal amount of HK$132,400,000 (equivalent to approximately RMB114,711,000) were issued). The amortised cost of the outstanding corporate bonds as at 31 December 2018 was HK$165,476,000 (equivalent to approximately RMB144,990,000) (2017: HK$167,178,000 (equivalent to approximately RMB139,744,000)), which will mature from 2019 to 2025, on the date immediately following 12 months to 96 months after the first issue date unless earlier redemption requested by the Company. The outstanding corporate bonds bear coupon rate ranging from 4.25% to 6.75% (2017: 4.00% to 6.75%) per annum, payable semi-annually in arrears.

The corporate bonds recognised in the consolidated financial statements are calculated as follows:

	Note	2018 RMB'000	2017 RMB'000
Carrying amount as at 1 January		139,744	56,211
Issuance during the year		–	114,711
Transaction costs		–	(23,496)
Interest expense	7	16,437	12,904
Interest payable included in other payables and accruals		(10,022)	(8,090)
Repayment		(7,852)	(5,632)
Exchange realignment		6,683	(6,864)
Carrying amount as at 31 December		144,990	139,744
Portion classified as current liabilities		27,289	7,504
Non-current portion		117,701	132,240

The effective interest rates on the Group's corporate bonds range from 10.33% to 12.85% per annum (2017: 10.23% to 12.85%).

(d) As at 31 December 2018, the Group was not in compliance with certain financial loan covenants and the respective cash loans would become callable on demand. The outstanding loan balance amounting to approximately RMB34,920,000 was recorded as current liabilities as at 31 December 2018 (2017: RMB75,660,000). As at the date of this report, the Group had yet to obtain waivers for the above non-compliance and no demand for immediate repayment was made in respect of the relevant cash loans.

28. FINANCE LEASE PAYABLES

The Group leased a motor vehicle in 2016 and the lease was classified as a finance lease and has remaining lease terms of two years as at 31 December 2018.

At 31 December 2018, the total future minimum lease payments under the finance lease and their present values were as follows:

	Minimum lease payments 2018 RMB'000	Minimum lease payments 2017 RMB'000	Present value of minimum lease payments 2018 RMB'000	Present value of minimum lease payments 2017 RMB'000
Amounts payable:				
Within one year	131	130	124	118
In the second year	126	125	124	118
In the third to fifth years, inclusive	–	121	–	119
Total minimum finance lease payments	257	376	248	355
Future finance charges	(9)	(21)		
Total net finance lease payables	248	355		
Portion classified as current liabilities (note 27)	124	118		
Non-current portion (note 27)	124	237		

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Revaluation of investment properties RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
At 1 January 2018	–	–	–	–
Deferred tax charged to the statement of profit or loss during the year	–	3,285	909	4,194
Deferred tax charged to the statement of comprehensive income during the year	424	18,987	–	19,411
At 31 December 2018	424	22,272	909	23,605

Deferred tax assets

	Impairment of financial assets RMB'000	Unrealised profit on inventories RMB'000	Accrued expenses RMB'000	Total RMB'000
At 1 January 2017	15,273	1,371	1,513	18,157
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	1,297	(318)	(215)	764
At 31 December 2017 and at 1 January 2018	16,570	1,053	1,298	18,921
Deferred tax charged to the statement of profit or loss during the year	(16,570)	(1,053)	(1,298)	(18,921)
At 31 December 2018	–	–	–	–

The Group has tax losses arising in Hong Kong and Macau of RMB166,152,000 (2017: RMB137,958,000) that are available for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB301,198,000 (2017: RMB248,765,000) that will expire in one to five years for offsetting against future taxable profits.

29. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

Deferred tax assets have not been recognised in respect of the following items:

	2018 RMB'000	2017 RMB'000
Tax losses	467,350	386,723
Deductible temporary differences	108,194	23,226
	575,544	409,949

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the Corporate Income Tax Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%.

At 31 December 2018, no deferred tax liability has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB516,017,000 at 31 December 2018 (2017: RMB688,722,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

Shares

	2018 RMB'000	2017 RMB'000
Issued and fully paid:		
948,825,763 (2017: 948,825,763) ordinary shares of HK$0.001 each	829	829

There was no movement in share capital during the year.

31. SHARE OPTION SCHEME

The Company operated a share option scheme (the "Scheme") for the purpose of providing incentives and rewarded to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included 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 the 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 may think fit upon the terms set out in the New Share Option Scheme. The purpose of the New Share Option Scheme is to attract, retain and motivate talented personnel to strive for future developments and expansion of the Group, and to provide the Company with a flexible means of giving incentive to, remunerating, compensating and/or providing benefits to them.

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

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 which vested on 30 April 2015, were granted to the independent non-executive directors of the Company, one of which has 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 fulfilment of the performance targets that a 15% increase in net profit for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively, when compared to their immediate preceding financial year excluding all exceptional items in the consolidated statement of profit or loss. If the target net profit cannot be achieved in a particular financial year, only 50% of the options granted to the directors and the employees shall be vested and the remaining 50% of the options granted to them for that particular year shall lapse automatically; and

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

31. 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 the period from the date of grant to the 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 years ended 31 December 2018 and 2017:

	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 year	**0.78**	**(50)**	0.78	(7,150)
At 31 December	**0.78**	**22,550**	0.78	22,600

During the year ended 31 December 2018, no share options were exercised or cancelled under the New Share Option Scheme.

31. SHARE OPTION SCHEME *(continued)*

The exercise price and exercise periods of the share options outstanding under the New Share Option Scheme as at 31 December 2018 and 2017 are as follows:

2018

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		

2017

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
5,850	0.78	30 April 2018 to 30 April 2023
22,600		

The Group recognised a share option expense of RMB188,000 related to the share options under the New Share Option Scheme for the year ended 31 December 2018 (2017: RMB928,000).

At the end of the reporting period, the Company had 22,550,000 share options outstanding under the New Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 22,550,000 additional ordinary shares of the Company and additional share capital of HK$23,000 (equivalent to RMB20,000) and share premium of HK$17,566,000 (equivalent to RMB15,391,000) (before the issue expenses).

At the date of approval of these 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.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 58 of the financial statements.

(i) Merger reserve

The merger reserve represents the difference between the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired and the Company's cost of acquisition of the subsidiaries under common control upon the reorganisation of the Group.

(ii) Statutory surplus reserve

Transfers from retained profits to the statutory surplus reserve were made in accordance with the relevant Mainland China's rules and regulations and the articles of association of the Company's subsidiaries registered in Mainland China, and were approved by the respective board of directors. The reserve is restricted to use.

(iii) Acquisition reserve

Goodwill arising on the acquisition of non-controlling interests was recognised as acquisition reserve.

(iv) Capital redemption reserve

The capital redemption reserve represents the nominal value of the shares of the Company which was transferred from the Company's retained earning upon repurchase and cancellation of shares by the Company.

(v) Shares held for the Share Award Plan and share award reserve

On 27 August 2013 (the "Effective Date"), the Board adopted the Share Award Plan in which any executive or employee of any member of the Group from time to time, but excluding a director of any member of the Group and any other connected person of the Company (the "Eligible Persons") will be entitled to participate. The purpose of the Share Award Plan is to recognise and reward contributions made by, and to encourage and incentivise sustained contribution of, the Eligible Persons to the growth and long term development of the Group. The Share Award Plan shall be valid and remain in force for a term of ten years commencing from the Effective Date.

The Board resolved to pay HK$10,000,000 and HK$502,000 to the independent trustee (the "Trustee") of the Share Award Plan in October 2013 and May 2016, respectively. On 23 January 2015, the Share Award Plan committee resolved to grant share awards in respect of a total of 10,250,000 shares to 68 award grantees who were all eligible persons under the Share Award Plan and who were independent of the Company, among which 8,100,000 shares were vested and 2,150,000 shares were forfeited due to resignation before vesting.

The Trustee purchased 2,436,000, 5,040,000 and 650,000 shares in 2013, 2014 and 2016, respectively, and then granted relevant shares to certain grantees under the Share Award Plan.

The shares held for the Share Award Plan represents the nominal value of the shares purchased by the Trustee for the Share Award Plan. The share award reserve represents the consideration paid for the purchase of the Company's own shares under the Share Award Plan.

No ordinary shares of the Company on the Stock Exchange were purchased for the Share Award Plan during the years ended 31 December 2018 and 2017.

No outstanding awarded shares at 31 December 2018 and 2017, and no share award expense was recognised during the years ended 31 December 2018 and 2017.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	2018			
	Amount due to the ultimate holding company RMB'000	Bank loans RMB'000	Finance lease payables RMB'000	Corporate bonds RMB'000
At 1 January 2018	–	153,064	355	139,744
Changes from financing cash flows	87,472	(61,909)	(119)	(7,852)
Foreign exchange movement	–	450	12	6,683
Interest paid classified as operating cash flows	–	–	(12)	(10,022)
Interest expense	–	–	12	16,437
At 31 December 2018	87,472	91,605	248	144,990

	2017		
	Bank loans RMB'000	Finance lease payables RMB'000	Corporate bonds RMB'000
At 1 January 2017	290,055	507	56,211
Changes from financing cash flows	(136,642)	(123)	86,287
Foreign exchange movement	(349)	(29)	(6,864)
Interest paid classified as operating cash flows	–	(17)	(8,090)
Interest expense	–	17	12,904
Transaction cost	–	–	(704)
At 31 December 2017	153,064	355	139,744

34. PLEDGE OF ASSETS

As at 31 December 2018, investment properties of RMB329,854,000 (2017: buildings of RMB340,542,000) were mortgaged as security for the bank loans of the Group. Details are included in note 27 (2017: note 13) to the financial statements.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) 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 31 December 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 RMB'000
Within one year	12,160
In the second to fifth years, inclusive	43,124
After five years	52,804
	108,088

(b) As lessee

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

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	5,724	13,177
In the second to fifth years, inclusive	2,806	16,574
	8,530	29,751

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Buildings, plant and machinery	**56,306**	56,306
Equity investment	**–**	59,200
	56,306	115,506

37. RELATED PARTY TRANSACTIONS

(a) The Group had an outstanding balance due to its ultimate holding company of RMB87,472,000 (2017: Nil) as at 31 December 2018. This balance is unsecured, interest-free and repayable on demand.

(b) Compensation of key management personnel of the Group:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**11,630**	12,683
Pension scheme contributions	**269**	274
Equity-settled share option expense	**134**	631
Total compensation paid to key management personnel	**12,033**	13,588

Further details of Directors' emoluments are included in note 8 to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2018

Financial assets

	Financial asset at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	–	27,830	–	27,830
Equity investment at fair value through profit or loss	–	–	–	–
Trade receivables	–	–	63,342	63,342
Financial assets included in prepayments, other receivables and other assets	–	–	8,835	8,835
Cash and cash equivalents	–	–	458,681	458,681
	–	27,830	530,858	558,688

38. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2018

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	26,768
Financial liabilities included in other payables and accruals	27,554
Interest-bearing bank and other borrowings	236,843
Amount due to the ultimate holding company	87,472
	378,637

2017

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	36,800	36,800
Trade receivables	79,506	–	79,506
Financial assets included in prepayments, other receivables and other assets	19,635	–	19,635
Cash and cash equivalents	434,403	–	434,403
	533,544	36,800	570,344

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	17,310
Financial liabilities included in other payables and accruals	11,107
Interest-bearing bank and other borrowings	293,163
	321,580

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

The fair values of the non-current portion of finance lease payables, interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables, and interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

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

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018 (2017: not applicable).

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/E multiple of peers	25.7	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB1,299,000
		Discount for lack of marketability	25%	500 basis points increase/decrease in discount would result in decrease/increase in fair value by RMB1,732,000

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2018

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

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

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

	2018 RMB'000
Equity investments at fair value through other comprehensive income	
At 1 January	–
Effect of adoption of IFRS 9	36,800
At 1 January (restated)	36,800
Total gains recognised in other comprehensive income	1,697
Return of investment	(10,667)
At 31 December	27,830

Liabilities for which fair values are disclosed:

As at 31 December 2018

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

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	132,477	–	132,477

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, interest-bearing bank loans, finance lease payables and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 4% (2017: 8%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 12% (2017: 19%) of purchases were denominated in currencies other than the functional currencies of the operating units making the purchase. Approximately 0.04% (2017: 0.2%) of the Group's bank balances were denominated in currencies other than the functional currencies of the operating units. The Group is exposed to the foreign currency risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group has not hedged its foreign exchange rate risk based on the consideration that the foreign currency transactions are not significant to the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ and RMB exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2018			
If RMB weakens against HK$	**5**	**(7)**	**7**
If RMB strengthens against HK$	**(5)**	**7**	**(7)**
2017			
If RMB weakens against HK$	5	(583)	136
If RMB strengthens against HK$	(5)	583	(136)

* Excluding retained profits

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs	
	Stage 1	Simplified approach	
	RMB'000	RMB'000	RMB'000
Trade receivables*	–	75,055	75,055
Financial assets included in prepayments, other receivables and other assets			
— Normal**	2,855	–	2,855
— Doubtful**	9,076	–	9,076
Cash and cash equivalents			
— not yet past due	458,681	–	458,681
	470,612	75,055	545,667

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and prepayments, other receivables and other assets are disclosed in notes 22 and 23 to the financial statements.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, a finance lease and other interest-bearing loans, as appropriate.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2018

	On demand RMB'000	Less than 3 months RMB'000	3 months to 1 years RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	6,862	17,881	2,025	–	26,768
Financial liabilities included in other payables and accruals	27,554	–	–	–	27,554
Interest-bearing bank and other borrowings	41,721	–	92,426	167,150	301,297
Amount due to the ultimate holding company	87,472	–	–	–	87,472
	163,609	17,881	94,451	167,150	443,091

2017

	On demand RMB'000	Less than 3 months RMB'000	3 months to 1 years RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	103	13,302	3,905	–	17,310
Financial liabilities included in other payables and accruals	11,107	–	–	–	11,107
Interest-bearing bank and other borrowings	98,822	1,081	91,537	198,107	389,547
	110,032	14,383	95,442	198,107	417,964

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio at a reasonable level. 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 ratios as at the end of the reporting periods were as follows:

	2018 RMB'000	2017 RMB'000
Interest-bearing bank and other borrowings	236,843	293,163
Trade payables	26,768	17,310
Other payables and accruals	63,764	56,372
Amount due to the ultimate holding company	87,472	–
Less: Cash and cash equivalents	(458,681)	(434,403)
Net debt	(43,834)	(67,558)
Equity attributable to ordinary equity holders of the Company	794,736	870,085
Capital and net debt	750,902	802,527
Gearing ratio	N/A	N/A

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 RMB'000	2017 RMB'000
CURRENT ASSETS		
Amounts due from subsidiaries	736,954	700,775
Cash and cash equivalents	149	1,140
Total current assets	737,103	701,915
CURRENT LIABILITIES		
Other payables and accruals	9,130	9,016
Amount due to the ultimate holding company	28,292	–
Other borrowing	27,289	7,504
Amounts due to subsidiaries	193,017	183,808
Total current liabilities	257,728	200,328
NET CURRENT ASSETS	479,375	501,587
TOTAL ASSETS LESS CURRENT LIABILITIES	479,375	501,587
NON-CURRENT LIABILITIES		
Other borrowings	117,701	132,240
Total non-current liabilities	117,701	132,240
Net assets	361,674	369,347
EQUITY		
Share capital	829	829
Reserves (note)	360,845	368,518
Total equity	361,674	369,347

CHAN Yuk Ming
Director

CHEN Yunan
Director

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Shares held for the Share Award Plan RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	671,612	(7,923)	4,466	(3,097)	(26)	(84,138)	580,894
Total comprehensive loss for the year	–	(36,131)	–	–	–	(25,361)	(61,492)
2017 Interim dividend	(151,812)	–	–	–	–	–	(151,812)
Equity-settled share option scheme	–	–	928	–	–	–	928
At 31 December 2017 and 1 January 2018	519,800	(44,054)	5,394	(3,097)	(26)	(109,499)	368,518
Total comprehensive loss for the year	–	16,880	–	–	–	(24,741)	(7,861)
Equity-settled share option scheme	–	–	188	–	–	–	188
At 31 December 2018	519,800	(27,174)	5,582	(3,097)	(26)	(134,240)	360,845

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 29 March 2019.

Particulars of Properties

31 December 2018

INVESTMENT PROPERTIES

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

Five Year Financial Summary

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
RESULTS					
REVENUE	**284,521**	335,469	421,839	451,565	548,328
Cost of sales	**(131,662)**	(128,664)	(183,135)	(152,131)	(169,191)
Gross profit	**152,859**	206,805	238,704	299,434	379,137
Other income and gains	**37,019**	14,788	35,477	17,230	17,284
Selling and distribution expenses	**(185,450)**	(214,692)	(256,102)	(274,864)	(267,662)
Administrative expenses	**(47,183)**	(59,332)	(64,596)	(72,612)	(60,601)
Other expenses	**(16,796)**	(50,845)	(18,447)	(30,920)	(15,548)
Impairment of an available-for-sale investment	**–**	–	–	–	(50,502)
Finance costs	**(25,943)**	(24,971)	(14,668)	(16,811)	(17,598)
LOSS BEFORE TAX	**(85,494)**	(128,247)	(79,632)	(78,543)	(15,490)
Income tax credit/(expense)	**(26,317)**	(10,731)	(777)	2,968	(18,295)
LOSS FOR THE YEAR	**(111,811)**	(138,978)	(80,409)	(75,575)	(33,785)
Attributable to:					
Ordinary equity holders of the Company	**(111,811)**	(138,978)	(80,409)	(75,575)	(33,785)

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
TOTAL ASSETS	**1,234,987**	1,239,786	1,528,554	1,642,319	1,872,023
TOTAL LIABILITIES	**(440,251)**	(369,701)	(395,858)	(409,165)	(555,996)
TOTAL EQUITY	**794,736**	870,085	1,132,696	1,233,154	1,316,027