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EVERGREEN INTERNATIONAL HOLDINGS LIMITED

長興國際（集團）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 238)

- (1) QUARTERLY UPDATE ON SUSPENSION OF TRADING;**
- (2) DELAY IN PUBLICATION OF THE 2020 ANNUAL RESULTS AND
DESPATCH OF THE 2020 ANNUAL REPORT;**
- (3) UPDATE ON WINDING UP PETITIONS; AND**
- (4) UPDATE ON STATUS OF THE BONDS**

Reference is made to the announcements of the Company dated 17 February 2020, 30 March 2020, 31 March 2020, 14 May 2020, 29 June 2020, 3 September 2020, 27 September 2020, 21 October 2020, 23 November 2020, 26 November 2020, 7 December 2020 and 29 December 2020 (the “**Announcements**”), in relation to, among other things, (i) the investigation into the Loan Transaction, (ii) the Suspension, (iii) the delay in the publication of the 2019 Annual Results and delay in the despatch of the 2019 Annual Report, (iv) the delay in the publication of the 2020 Interim Results and delay in despatch of the 2020 Interim Report, (v) the Resumption Guidance and (iv) the winding up petitions against the Company. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Announcements.

UPDATE ON PROGRESS OF RESUMPTION

As disclosed in the announcements of the Company dated 14 May 2020 and 7 December 2020, the Stock Exchange has set out the following Resumption Guidance for the Company:

- (i) in respect of the following issues raised by the Auditor from their review of the relevant fund flow of the Loan Transaction, conduct an appropriate forensic investigation, announce the findings, and take appropriate remedial actions:
 - (a) the source of funds for the aggregate amount of approximately RMB350 million might have been transferred first to the Lender by a company with a name similar to that of the Lender and which was not a member of the Group on 26 December 2019, before the Lender then advanced the same to the Borrower on the same date; and
 - (b) there appeared to be anomalies in the copies of time deposit slips and statements provided by the Group to the Auditor and those issued by the Group’s PRC bank;

- (ii) publish all outstanding financial results and address any audit modifications;
- (iii) inform the market of all material information for the Company's shareholders and other investors to appraise its positions;
- (iv) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;
- (v) demonstrate that there is no reasonable regulatory concern about the management integrity, and/or the integrity of conduct any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;
- (vi) conduct an independent internal control review and demonstrate that the Company has in place adequate internal control and procedures to comply with the Listing Rules; and
- (vii) have the winding up petition(s) (or winding up order(s), if made) against the Company withdrawn or dismissed and the appointment of any liquidator (if any) discharged.

Pursuant to Rule 13.24A of the Listing Rules, the Board wishes to update the Shareholders and potential investors of the Company on the progress of the Company's fulfillment of the Resumption Guidance as at the date of this announcement which is summarised below.

Forensic investigation on the Loan Transaction

As disclosed in the announcement of the Company dated 29 December 2020, on 28 December 2020, the Independent Committee's Hong Kong legal advisors appointed RSM Corporate Advisory (Hong Kong) Limited ("RSM"), an independent professional firm, to provide forensic accounting services to assist in the conduct of the Independent Review.

The scope of services of RSM's engagement includes, among other things, the following:

- (i) reviewing the relevant information in respect of the background and details of the Loan Transaction;
- (ii) reviewing and understanding the internal procedures and policies of the Company and the Lender at the material time in respect of transactions which were similar to the Loan Transaction;
- (iii) understanding how the Loan Transaction originated and evaluating the commercial reasonableness of approving and/or granting the loans by the Lender;
- (iv) performing analytical review to ascertain whether there is any evidence to suggest that the Loan Transaction was not conducted on arm's length basis and/or under normal commercial terms;
- (v) performing confirmation procedures in respect of the relevant bank(s) to obtain the relevant bank records in relation to the Loan Transaction, and conducting fund flow analysis to trace the flow of funds in relation to the Loan Transaction if feasible and appropriate;

- (vi) conducting background searches on the Borrower and the Guarantor of the Loan Transaction;
- (vii) interviewing relevant staff and management of the Company and the Lender in relation to the Loan Transaction;
- (viii) reviewing the follow up actions taken by the Company and its subsidiaries in respect of the Loan Transaction; and
- (ix) providing recommendations to the Independent Committee's Hong Kong legal advisors and the Independent Committee on issues which would require further review and the ways forward.

The Company will make further announcement(s) to update the Shareholders and potential investors on the progress and findings of the Independent Review.

Delay in publication of the 2020 Annual Results and delay in despatch of the 2020 Annual Report; outstanding financial results

The Board wishes to announce that as the publication of the 2019 Annual Results and 2020 Interim Results and the despatch of the 2019 Annual Report and 2020 Interim Report are still delayed pending the resumption and completion of audit work in respect of the financial information of the Group for the year ended 31 December 2019, the announcement of the Company's annual results for year ended 31 December 2020 (the "**2020 Annual Results**") could not be published by 31 March 2021 as required under the Listing Rules, and it is expected that the despatch of the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**") will also not be ready by 30 April 2021 as required under the Listing Rules.

After due and careful consideration, the Board continues to be of the view that save for certain unaudited financial information on the Group's operational performance set out in the paragraph below and that disclosed in the announcement of the Company dated 29 December 2020, it would not be appropriate for the Company to publish the unaudited financial results of the Group for the year ended 31 December 2019, those for the six months ended 30 June 2020 and those for the year ended 31 December 2020, prior to completion of the Independent Review, as such financial results may not accurately reflect the financial performance and position of the Group. The Company's current priority continues to be the progression of the Independent Review, which in turn will facilitate the finalisation and publication of the 2019 Annual Results, the 2020 Interim Results and the 2020 Annual Results.

Based on a preliminary assessment by the Board of the information currently available to the Company and the preliminary unaudited consolidated management accounts of the Company for the year ended 31 December 2020 (which have not been audited or reviewed by the Company’s auditor or confirmed by the Company’s audit committee and are subject to uncertainties and possible adjustment), the Group’s operational performance for the year ended 31 December 2020 is as follows:

	Year ended 31 December		Change %
	2020	2019	
	<i>RMB million</i>	<i>RMB million</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Revenue	167.6	220.0	-23.8%
Gross Profit	96.3	106.7	-9.7%

Independent control review

As described in the section above headed “Forensic investigation on the Loan Transaction”, one of RSM’s scope of services is to review the internal procedures and policies of the Company and the Lender at the material time in respect of transactions which were similar to the Loan Transaction.

Subject to the findings of the Independent Review on such internal procedures and policies, the Independent Committee will provide an update to the Company on the internal control aspects which the Company should look further into (if any) by the end of the Independent Review. Thereafter, the Company will consider whether it is appropriate to engage an internal control adviser, and if so, the scope and timing of work of the further internal control review.

Debt restructuring advisor

It was disclosed in the announcement of the Company dated 29 December 2020 that the Company had appointed a restructuring advisor to assist the Board in its on-going discussions and negotiations with the Company’s creditor(s). The appointment of the restructuring advisor ended on 22 February 2021. Please refer to the section below headed “UPDATE ON STATUS OF THE BONDS” for information regarding the change of Bondholders and proposed negotiation with the Company on the terms of the Bonds by the new Bondholders.

Update on winding up petitions

HCCW 390/2020

As disclosed in the announcements of the Company dated 21 October 2020, 23 November 2020, 26 November 2020 and 29 December 2020, the Company had received two winding up petitions filed by certain Bondholders in the High Court of The Hong Kong Special Administrative Region (the “**High Court**”) under Companies Winding-up Proceedings No. 312 of 2020 (“**HCCW 312/2020**”) and No.390 of 2020 (“**HCCW 390/2020**”), each for an order that the Company be wound up by the High Court under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) for failing to settle an outstanding debt in connection with the Bonds and interest thereon.

The Board wishes to provide an update that the Company and Bondholder A, being the petitioner under HCCW 390/2020, had reached agreement for that petition to be withdrawn, and the Court granted leave for Bondholder A to withdraw the petition on 16 February 2021.

HCCW 312/2020

The winding up petition under HCCW 312/2020 came before the High Court on 3 February 2021, and the petition was adjourned to 31 March 2021 for another hearing.

As at the date of this announcement, the winding up petition under HCCW 312/2020 has not been withdrawn or dismissed.

For the other conditions of the Resumption Guidance, the Company is taking appropriate steps to fulfil them and will keep the market informed of the latest developments of the matters under the Resumption Guidance, including but not limited to the progress of the Independent Review, as well as the publication of the 2019 Annual Results, the 2020 Interim Results and 2020 Annual Results, by making further announcement(s) as and when appropriate.

UPDATE ON STATUS OF THE BONDS

As at the date of this announcement, the total outstanding principal of the Bonds amounts to HK\$157.4 million.

In February 2021, the Company received separate letters of intent from two different persons (collectively, the “**Potential Purchasers**”) each notifying the Company of his/its intention to make and/or procure to be made a conditional offer to each of the Bondholders to purchase the Bonds held by such Bondholder at a certain discount to the outstanding principal amount of the Bonds and interest thereon. The Company noted that the offer from each of the Potential Purchasers would be made conditional upon the acceptance of offers by Bondholders representing in aggregate not less than HK\$50 million of the outstanding principal amount of all Bonds, and should such condition be satisfied, the relevant Potential Purchaser expected to negotiate with the Company to modify the terms and conditions of the Bonds, including but not limited to the interest rate and maturity date of the Bonds.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries:

- (i) the Potential Purchasers are not related in any way to each other, and each of the Potential Purchasers and his/its ultimate beneficial owner(s) (where applicable) is a third party independent of and not connected with the Company and its connected persons;
- (ii) one of the Potential Purchasers has already commenced communication and negotiation with some Bondholders separately regarding its offer to purchase the Bonds held by such Bondholders; and
- (iii) on 25 March 2021, such Potential Purchaser purchased from Bondholder G, being the petitioner under HCCW 312/2020, all the Bonds then held by Bondholder G in the aggregate principal amount of HK\$5,600,000.

In the meantime, the Company continues to proactively negotiate, mainly through CIS Securities, with the Bondholders regarding possible settlement arrangements in respect of the Default with a view to reaching an amicable solution.

As at the date of this announcement, the Company has not yet reached any settlement agreement with any Bondholders, and it continues to proactively negotiate with the Bondholders.

BUSINESS UPDATE

The Group is principally engaged in the manufacture and trading of clothing and clothing accessories. The Directors wish to point out that notwithstanding the Suspension, the Group is carrying on its business operations as usual to the extent possible under the various restrictions brought about by the COVID-19 situation. The Board will continue to assess and monitor the impact of the COVID-19 situation and the Suspension on the operation and financial performance of the Group. The Company will take appropriate measures as necessary and make further announcements as and when appropriate.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 30 March 2020 and will continue to be suspended until further notice.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

On behalf of the Board
Evergreen International Holdings Limited
CHAN Yuk Ming
Chairman

Hong Kong, 29 March 2021

As at the date of this announcement, Mr. Chan Yuk Ming, Mr. Chen Yunan and Mr. Chen Minwen are the Executive Directors of the Company; Mr. Cheng King Hoi, Andrew, Mr. Poon Wai Kong and Mr. Leung Chi Hung are the Independent Non-executive Directors of the Company.