



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

Interim Report 2012



# CONTENTS

6	CORPORATE INFORMATION
7	FINANCIAL HIGHLIGHTS
9	MANAGEMENT DISCUSSION AND ANALYSIS
19	OTHER INFORMATION
22	REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
23	INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
24	INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
25	INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
26	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
27	INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
28	NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# V.E. DELURE







*Testantin*  *Collection*



## 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. Kwok Chi Sun, Vincent  
Mr. Cheng King Hoi, Andrew (appointed on 27 June 2012)  
Dr. Ko Wing Man (resigned on 27 June 2012)

### JOINT COMPANY SECRETARIES

Ms. Kwok Yu Ching ACIS, ACS(PE)  
Ms. Chan Sau Ling ACIS, ACS(PE)

### AUTHORIZED REPRESENTATIVES

Mr. Chan Yuk Ming  
Ms. Kwok Yu Ching  
Ms. Chan Sau Ling (as alternate to Ms. Kwok Yu Ching)

### AUDIT COMMITTEE

Mr. Kwok Chi Sun, Vincent (*Chairman*)  
Mr. Fong Wo, Felix  
Mr. Cheng King Hoi, Andrew (appointed on 27 June 2012)  
Dr. Ko Wing Man (resigned on 27 June 2012)

### REMUNERATION COMMITTEE

Mr. Cheng King Hoi, Andrew (*Chairman*) (appointed on 27 June 2012)  
Mr. Fong Wo, Felix  
Mr. Kwok Chi Sun, Vincent  
Dr. Ko Wing Man (resigned on 27 June 2012)

### NOMINATION COMMITTEE

Mr. Fong Wo, Felix (*Chairman*)  
Mr. Kwok Chi Sun, Vincent  
Mr. Cheng King Hoi, Andrew (appointed on 27 June 2012)  
Dr. Ko Wing Man (resigned on 27 June 2012)

### REGISTERED OFFICE

Offshore Incorporations (Cayman) Limited  
Scotia Center, 4th Floor  
P.O. Box 2804, George Town  
Grand Cayman, KY1-1112

### PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

28th Floor  
Guangzhou Department Store Complex  
4-14 Xihu Road  
Guangzhou, China

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 609  
Grand Cayman  
KY1-1107  
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  
Bank of China  
Bank of Communications  
Shanghai Commercial Bank Limited  
Shanghai Pudong Development Bank  
The Hong Kong and Shanghai Banking Corporation Limited

### AUDITORS

Ernst & Young, Certified Public Accountants

### LEGAL ADVISOR

Minter Ellison

### INVESTOR RELATIONS

iPR Ogilvy Ltd.

### STOCK CODE

00238.HK

### COMPANY'S WEBSITE

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

**FINANCIAL HIGHLIGHTS***For the six months ended 30 June*

	2012	2011	% change
	RMB'million	RMB'million	
Revenue	<b>338.0</b>	332.0	+1.8%
Gross profit	<b>230.7</b>	222.2	+3.8%
Profit attributable to ordinary equity holders	<b>71.1</b>	88.4	-19.5%
Basic and diluted earnings per share (RMB cents) (Note 1)	<b>7.5</b>	9.0	-16.7%
Interim dividend per share (HK cents)	<b>5.0</b>	4.4	+13.6%
Gross profit margin	<b>68.3%</b>	66.9%	
Net profit margin	<b>21.0%</b>	26.6%	
Effective tax rate	<b>27.9%</b>	24.3%	

	As at 30 June 2012	As at 31 December 2011
Trade receivables turnover days (Note 2)	<b>71</b>	70
Trade payables turnover days (Note 3)	<b>75</b>	79
Inventory turnover days (Note 4)	<b>430</b>	325

*Notes:*

1. Basic and diluted earnings per share = Profit attributable to the ordinary equity holders/weighted average number of ordinary shares
2. Trade receivables turnover days = Average of the opening and closing balances on trade receivables/revenue and income from sale of raw materials for the period x number of days for the period
3. Trade payables turnover days = Average of the opening and closing balances on trade payables/cost of sales and cost of sale of raw materials for the period x number of days for the period
4. Inventory turnover days = Average of the opening and closing balances on inventory/cost of sales and cost of sale of raw materials for the period x number of days for the period



## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Review

In the first half of 2012, as the global economic environment continued to be complicated and volatile, there was growing concern over the slowing growth in the People's Republic of China (the "PRC" or "China"). In view of the risk of economic slowdown, the China government implemented a series of policies in order to expand domestic demand. The China government also cut interest rate for the first time since 2008 and loosened controls on bank's lending and deposit rates, exerting efforts to avoid a deepening slowdown as Europe's debt crisis continued to threaten the growth of global economy.

According to the National Bureau of Statistics of China, the gross domestic product ("GDP") of China for the first half of 2012 amounted to RMB22.7 trillion, representing a year-on-year increase of 7.8%. However, the economic growth slowed to 7.6% in the second quarter of 2012, which was the lowest since 2009. Amid increasing concerns and uncertainties over economic growth in China, the consumer sentiment was weakened during the period.

In the first half of 2012, the total retail sales of consumer goods in China amounted to RMB9.8 trillion, representing an increase of 14.4% compared to the same period of last year. The total retail sales of consumer goods realised in urban area and rural area amounted to RMB8.5 trillion and RMB1.3 trillion, respectively, representing an increase of 14.3% and 14.5%, respectively, compared to the same period of last year. However, the growth rates were 2.6 percentage points and 1.7 percentage points lower than that in the first half of 2011, respectively. In particular, the total sales of garments, footwear, hats and knitwear amounted to RMB453.8 billion, representing an increase of 16.9% compared

to the same period of last year. However, the growth rate was 7.0 percentage points lower than that of 23.9% in the first half of 2011.

In addition, although inflation pressure in China started to ease during the first half of 2012, operating expenses including rentals, wages and salaries, and major raw materials costs continued to soar during the period, which deepened the pressure in operation under the current challenging environment. Under the current circumstances, the Company and its subsidiaries (collectively the "Group") strategically adjusted its development strategy, increased resources in strengthening the direct retail business through its self-operated stores, enhanced marketing strategy for brand building and improved operation efficiency and business infrastructure, in order to build a solid business foundation for a prudent, healthy and sustainable growth of the Group in a long term basis.

### Financial Review

During the six months ended 30 June 2012, the Group recorded an aggregate turnover of approximately RMB337,969,000 (2011: RMB332,040,000), representing an increase of approximately 1.8% compared to the same period of last year. Gross profit for the period increased from RMB222,226,000 for the six months ended 30 June 2011 to RMB230,707,000, representing an increase of about 3.8%, and gross profit margin improved from 66.9% for the six months ended 30 June 2011 to 68.3%. However, profit attributable to ordinary equity holders of the Company for the period decreased by about 19.5% to approximately RMB71,103,000 (2011: RMB88,376,000) and net profit margin for the period decreased by 5.6% from 26.6% for the six months ended 30 June 2011 to 21.0%. The decrease in profit and net profit margin was mainly resulted from the decrease in sales to distributors and the increase in selling and distribution expenses directly attributable to self-operated stores operation.



## Turnover

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
<b><i>V.E. DELURE</i></b>		
Self-operated stores	180,260	151,690
Distributors	83,495	106,995
Corporate sales	969	6,811
	<b>264,724</b>	<b>265,496</b>
<b><i>TESTANTIN</i></b>		
Self-operated stores	38,835	22,251
Distributors	18,968	20,477
	<b>57,803</b>	<b>42,728</b>
Licensed brands	15,442	23,816
	<b>337,969</b>	<b>332,040</b>

The total turnover of the Group for the six months ended 30 June 2012 increased by 1.8% to approximately RMB337,969,000 (2011: RMB332,040,000). The sales from *V.E. DELURE*, *TESTANTIN* and licensed brands business for the six months ended 30 June 2012 represented about 78.3% (2011: 79.9%), 17.1% (2011: 12.9%) and 4.6% (2011: 7.2%) of the total turnover of the Group, respectively.

Turnover of the Group for the six months ended 30 June 2012 comprised sales from self-operated stores of about RMB219,095,000 (2011: RMB173,941,000), sales to distributors of RMB102,463,000 (2011: RMB127,472,000), corporate sales of RMB969,000 (2011: RMB6,811,000) and sales from the licensed brands business of RMB15,442,000 (2011: RMB23,816,000).

The aggregate sales from self-operated stores for the six months ended 30 June 2012 achieved an increase of 26.0% as compared to the same period of last year, and accounted for about 64.8% (2011: 52.4%) of the total turnover, which was mainly resulted from the strategic shift to self-operated stores business under the current adverse conditions during the period. On the other hand, the aggregate sales to distributors for the six months ended 30 June 2012 recorded a decrease of 19.6% as compared to the same period of last year and accounted for about 30.3% (2011: 38.4%) of the total turnover.





## Turnover by Region

	Six months ended 30 June			Six months ended 30 June	
	2012	2011		2012	2011
	RMB'000	RMB'000		RMB'000	RMB'000
<b><i>V.E. DELURE</i></b>			<b><i>TESTANTIN</i></b>		
Central PRC	20,648	24,549	Central PRC	962	1,444
North Eastern PRC	22,578	14,686	North Eastern PRC	5,441	4,014
Eastern PRC	37,261	38,275	Eastern PRC	7,662	5,787
North Western PRC	25,392	26,880	North Western PRC	11,453	3,573
Northern PRC	64,043	56,428	Northern PRC	3,770	2,640
South Western PRC	27,241	34,891	South Western PRC	7,217	5,952
Southern PRC	59,214	64,845	Southern PRC	12,992	13,904
Hong Kong, Macau	8,347	4,942	Hong Kong, Macau	8,306	5,414
Total	<u>264,724</u>	<u>265,496</u>	Total	<u>57,803</u>	<u>42,728</u>

The sales from *V.E. DELURE* in the Eastern, Northern and Southern PRC for the six months ended 30 June 2012 accounted for 60.6% (2011: 60.1%) of the total brand revenue, which was mainly attributable to the location of *V.E. DELURE* retail stores in major cities such as Shanghai, Beijing and Guangzhou, where the Group targeted *V.E. DELURE* customers, who are relatively more affluent with strong purchasing power.

The sales from *TESTANTIN* in the Eastern, South Western, Southern and North Western PRC for the six months ended 30 June 2012 accounted for 68.0% (2011: 68.4%) of the total brand revenue, as most of the *TESTANTIN* retail stores are situated in the second-tier and third-tier cities of these regions.

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

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
<b>V.E. DELURE</b>		
Apparel <sup>(1)</sup>	164,927	148,059
Accessories <sup>(2)</sup>	15,333	3,631
	<b>180,260</b>	<b>151,690</b>
<b>TESTANTIN</b>		
Apparel <sup>(1)</sup>	35,918	21,000
Accessories <sup>(2)</sup>	2,917	1,251
	<b>38,835</b>	<b>22,251</b>

	Six months ended 30 June	
	2012 Unit sold pcs	2011 Unit sold pcs
<i>Sales Volume</i>		
<b>V.E. DELURE</b>		
Apparel <sup>(1)</sup>	75,066	71,028
Accessories <sup>(2)</sup>	23,725	15,418
<b>TESTANTIN</b>		
Apparel <sup>(1)</sup>	26,819	16,296
Accessories <sup>(2)</sup>	9,616	5,837

	2012 RMB		2011 RMB	
	<i>Average Selling Price</i>			
<b>V.E. DELURE</b>				
Apparel <sup>(1)</sup>	2,197	2,085		
Accessories <sup>(2)</sup>	646	236		
<b>TESTANTIN</b>				
Apparel <sup>(1)</sup>	1,339	1,289		
Accessories <sup>(2)</sup>	303	214		

## Notes:

- (1) Apparel products include, among others, suits, jackets, pants, coats, shirts and polo-shirts.
- (2) Accessories products include, among others, ties, cuff-links, pens and leather products.

## Cost of Sales

The cost of sales of the Group decreased by 2.3% during the period to approximately RMB107,262,000 (2011: RMB109,814,000). During the period, the Group continued to outsource the production process of most of the apparel and accessories products. The Group also purchased products under the licensed brand business, *CARTIER*. 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 increased by RMB8,481,000 or 3.8%, from RMB222,226,000 to RMB230,707,000 for the six months ended 30 June 2012.

During the period, the major raw material costs continued to soar and the increase in wages also intensified the production cost pressure. By leveraging on the advantages and influences of the brands of the Group, the increased contribution of revenue from self-operated store operation and strengthening cost control, the Group maintained a relatively steady gross profit margin level of 68.3% for the six months ended 30 June 2012, as compared to 66.9% for the same period of last year.

## Other Income and Gains

During the period, other income and gains mainly consisted of bank interest income of RMB21,132,000 (2011: RMB14,261,000).

## Selling and Distribution Expenses

For the six months ended 30 June 2012, selling and distribution expenses primarily represented rental and concessionaire commission to shopping malls and department stores of self-operated stores of approximately RMB68,705,000 (2011: RMB59,369,000), advertising and promotion expenses of approximately RMB11,735,000 (2011: RMB8,538,000), and staff costs of approximately RMB31,755,000 (2011: RMB22,883,000). During the period, the total selling and distribution expenses represented about 38% (2011: 31%) of the total turnover, representing an increase of 7 percentage points, which was mainly due to the increase in the concessionaire commission and increase in staff costs as a result of the increase in sales from self-operated stores.

Rental and concessionaire commission to shopping malls and department stores of self-operated stores accounted for approximately 31.4% of sales from self-operated stores for the six months ended 30 June 2012, which was comparable to that of 34.1% for the six months ended 30 June 2011.

### Administrative Expenses

For the six months ended 30 June 2012, administrative expenses increased from RMB21,087,000 to RMB22,338,000, representing an increase of RMB1,251,000 or 5.9% as compared to the same period of last year. During the period, administrative expenses accounted for 6.6% (2011: 6.4%) of turnover, which was comparable to the same period of last year.

### Finance Costs

Finance costs for the six months ended 30 June 2012 mainly represented interest expenses on interest-bearing bank borrowings.

### Effective Tax Rate

During the period, the effective tax rate of the Group increased from 24.3% to 27.9% mainly because of tax losses incurred in Hong Kong operation.

### Profit Attributable to Ordinary Equity Holders of the Company

Profit attributable to ordinary equity holders of the Company decreased by about 19.5% from approximately RMB88,376,000 for the six months ended 30 June 2011 to RMB71,103,000 for the six months ended 30 June 2012. Basic earnings per share decreased from RMB9.0 cents to RMB7.5 cents and net profit margin decreased from 26.6% to 21.0%. Decrease in profit attributable to ordinary equity holders of the Company and net profit margin was mainly because of the decrease in sales to distributors and the increase in selling and distribution expenses directly attributable to self-operated stores operation.

### Business Review

#### Proprietary Brands

The Group currently owns two proprietary brands covering two fast growing segments 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 same store sales growth for the self-operated stores business of 6.6% and 8.5%, respectively, for the first half of 2012.



### Retail and Distribution Network

#### Number of stores of proprietary brands by region

	As at 30 June 2012	As at 31 December 2011
Central PRC	34	34
North Eastern PRC	41	43
Eastern PRC	77	70
North Western PRC	50	46
Northern PRC	71	72
South Western PRC	69	61
Southern PRC	98	91
Hong Kong, Macau	5	5
	<b>445</b>	<b>422</b>

In line with its business expansion 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 higher tier cities and franchised stores by distributors in low-tier cities. Opening self-operated stores enables the Group to create direct contact and interaction with target customers, so as to optimise its marketing efforts to customers and to directly instill in the customers the brand image and atmosphere that the Group created and expressed. Engaging distributors to open franchised stores allows the Group to expand its retail network quickly, leverage the profound understanding and experience of the distributors in local markets in which they operated, and penetrate into fragmented menswear market in these cities with lower capital expenditure.

In view of the risk of slowing economic growth, the Group actively and properly adjusted the store opening plan according to the prevailing market circumstances, consolidated low efficiency stores and revised the target of net increase in stores in the second half of 2012 to 55.

As at 30 June 2012, the Group had a total of 445 stores in 33 provinces and autonomous regions, covering 196 cities in China. There were 138 self-operated stores of *V.E. DELURE* in 52 cities in China whilst there were 57 self-operated stores of *TESTANTIN* in 28 cities in China.

In addition, the total number of distributors of the Group amounted to 97, which operated 176 franchised stores of *V.E. DELURE* in 125 cities and 74 franchised stores of *TESTANTIN*, in 62 cities, respectively.

## Number of stores of proprietary brands by city tier

	As at 30 June 2012	As at 31 December 2011	Changes
<b>V.E. DELURE</b>			
<b>Self-operated stores</b>			
First-tier	23	26	-3
Second-tier	71	64	7
Third-tier	38	33	5
Fourth-tier	6	4	2
	<u>138</u>	<u>127</u>	<u>11</u>
<b>Franchised stores</b>			
First-tier	–	–	–
Second-tier	19	24	-5
Third-tier	111	109	2
Fourth-tier	46	41	5
	<u>176</u>	<u>174</u>	<u>2</u>
	<u>314</u>	<u>301</u>	<u>13</u>
<b>TESTANTIN</b>			
<b>Self-operated stores</b>			
First-tier	11	8	3
Second-tier	28	24	4
Third-tier	16	10	6
Fourth-tier	2	2	–
	<u>57</u>	<u>44</u>	<u>13</u>
<b>Franchised stores</b>			
First-tier	–	–	–
Second-tier	5	7	-2
Third-tier	46	48	-2
Fourth-tier	23	22	1
	<u>74</u>	<u>77</u>	<u>-3</u>
	<u>131</u>	<u>121</u>	<u>10</u>
<b>TOTAL</b>	<u>445</u>	<u>422</u>	<u>23</u>

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

Second-tier cities: provincial capital cities excluding Beijing, Shanghai and Guangzhou

Third-tier cities: prefecture-level cities other than provincial capital cities

Fourth-tier cities: county-level cities

In the first half of 2012, the number of *V.E. DELURE* self-operated stores increased from 127 to 138. The new self-operated stores opened mainly located in second-tier and third-tier cities. Franchised stores operated by the distributors of the Group increased from 174 to 176, with the new stores mainly located in low-tier cities. The number of new *V.E. DELURE* self-operated stores is more than that of new franchised stores, which is in line with the Group's strategic shift of focus to increase the proportion of self-operated stores in order to enhance the brand image of *V.E. DELURE* and long term profit quality.

The total area of retail outlets of self-operated stores of *V.E. DELURE* was approximately 20,082 square meters (31 December 2011: 18,065 square meters), representing an increase of 11.2%.

In the first half of 2012, the number of *TESTANTIN* self-operated stores increased from 44 to 57 whilst the number of franchised stores decreased from 77 to 74. The focus in the first half of 2012 was the opening of self-operated stores in order to enhance the brand image of *TESTANTIN* to facilitate future growth strategically. As such, the Group increased *TESTANTIN* self-operated stores in high-tier cities during the period, as a stepping stone to enhance brand influence in the second-tier and third-tier cities in China.

The total area of retail outlets of self-operated stores of *TESTANTIN* was approximately 6,261 square meters (31 December 2011: 4,804 square meters), representing an increase of 30.3%. In the first half of 2012, the Group made progress in expanding sales network of *TESTANTIN* in high-tier cities by opening its first *TESTANTIN* store in Beijing and Shanghai, respectively.

#### Sales Fair

*V.E. DELURE* and *TESTANTIN* 2012 Fall and Winter collections sales fair was held in February 2012. The total order amount from franchised stores operated by the distributors of the Group increased by 15% as compared to that of last year. Delivery of the orders commenced in August 2012.

*V.E. DELURE* and *TESTANTIN* 2013 Spring and Summer collections sales fair was held in July 2012. The total order amount from franchised stores operated by the distributors of the Group increased by 16% as compared to that of last year. Delivery of the orders will commence in January 2013.

#### Inventory Management

The Group has an effective inventory management system. In particular, the Group has adopted a flat distributor model comprising only one layer of distribution network, without any sub-distributor, which enables the Group to closely monitor the business performance and inventory of each franchised store and distributor. Moreover, orders made by the distributors are distributed proportionally into the first batch of order placed at the sales fair and the supplemental order placed following the commencement of the season. During the period, the inventory turnover days of the Group increased from 325 days to 430 days, which was mainly due to the increase in number of self-operated stores and lower same store sales growth. Notwithstanding, the inventory balance decreased from RMB284,571,000 as at 31 December 2011 to RMB228,731,000 as at 30 June 2012.

#### Marketing and Promotion

The Group has a dedicated marketing team, which is responsible for the execution and organisation of the marketing and promotional activities of *V.E. DELURE* and *TESTANTIN*. The Group pays much attention to the long term development of its brands. Various marketing and promotion activities of the Group not only strengthen the brand recognition and value, but also publicise its brand theme.

In the first half of 2012, the total expenditure of the Group in marketing and promotion activities amounted to approximately RMB11,735,000 (2011: RMB8,538,000), accounting for approximately 3.5% (2011: 2.6%) of the total turnover of the Group. The Group will strive to maintain the ratio not exceeding 5% whilst promoting the brands in an effective approach.

During the period, the Group continued to actively carry out regular advertising and promotion activities through various channels, such as advertisements in fashion magazines, promotion activities in the internet and other media, and large advertising billboard in airport, highway and well-known department stores.

The Group considers stores as one of the important channels to promote and enhance brand image. During the period, *V.E. DELURE* and *TESTANTIN* continued to carry out store image upgrade work, broaden the display space, to further enhance its high-end brand image in order to more effectively promote the brands and attract more customers.



Moreover, the Group is the exclusive sponsor of the formal attire of the PRC national table tennis team and badminton team, both of which last till 2015. The Group has been inviting elite athletes to participate in appropriate promotional and charity events. In April 2012, *V.E. DELURE* sponsored the 25th Table Tennis Asia Cup 2012, which was held in Guangzhou with top Asian players participated in the competition.

In addition, in May 2012, the Group collaborated with China national badminton team and famous shopping malls to organise *V.E. DELURE* Torch Relay Love Journey (“迪萊火炬傳遞愛心之旅”) in Wuhan. Since the launch of this journey in 2006, the Group has organised this charity event in many cities in China and the event held in Wuhan was the ninth station of the journey. As an enduring vision and plan, *V.E. DELURE* Torch Relay Love Journey (“迪萊火炬傳遞愛心之旅”) will continue to take place in other cities in China, with an aim to gather social force to participate in the charity activities. Such charity activities not only delivered the brand image of the Group but also promoted the corporate image of the Group as a social responsible enterprise.

#### Product Design and Development

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

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

The Group also targeted on experienced design talents to bring in fresh inspiration for innovation to further diversity product portfolio and increase competitiveness. The Group has experienced innovative and independent design teams for *V.E. DELURE* and *TESTANTIN*, respectively, which were led by experienced chief supervisors with substantial design experience in the industry. During the six months ended 30 June 2012, the total headcount of the design teams of the Group increased from 20 to 22.

#### Working Capital Management

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

Inventory turnover days was 430 days as at 30 June 2012, representing an increase of 105 days as compared to inventory turnover days of 325 days as at 31 December 2011. Notwithstanding, the inventory balance decreased from RMB284,571,000 as at 31 December 2011 to RMB228,731,000 as at 30 June 2012. The increase in inventory turnover days was mainly due to the increase in number of self-operated stores and lower same store sales growth.

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 71 days as at 30 June 2012 which was comparable to 70 days as at 31 December 2011.

Trade payables represented payables to suppliers and outsourced manufacturers. Trade payables turnover days slightly decreased from 79 days as at 31 December 2011 to 75 days as at 30 June 2012.

#### Use of Proceeds

The shares of the Company (the “Shares”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 4 November 2010 (the “Listing Date”). Net proceeds from the global offering were approximately RMB1,017.4 million (equivalent to approximately HK\$1,167.0 million), after deducting the underwriting commission and relevant expenses. As at 30 June 2012, the unused proceeds were deposited in licensed banks in Hong Kong and Mainland China.



## Use of fund raised

	Percentage to total amount	Net proceeds RMB'million	Utilised amount (as at 30 June 2012) RMB'million	Unutilised amount (as at 30 June 2012) RMB'million
Expansion and improvement of retail network	45%	457.8	350.5	107.3
Developing independent lines of branded apparels and accessories under <i>V.E. DELURE</i> brand	10%	101.7	15.0	86.7
Acquisitions or licensing of additional brands	20%	203.5	–	203.5
Marketing and promotion activities	7%	71.2	9.5	61.7
Upgrade of ERP system and database management system	5%	50.9	1.6	49.3
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	1.0	49.9
General working capital	8%	81.4	–	81.4
	<u>100%</u>	<u>1,017.4</u>	<u>377.6</u>	<u>639.8</u>

**Liquidity and Financial Resources**

As at 30 June 2012, the Group had cash and cash equivalents of RMB716,259,000 (31 December 2011: RMB940,698,000). In addition, the Group had pledged deposits, time deposits and held-to-maturity financial assets of RMB135,558,000 (31 December 2011: RMB10,000,000), RMB100,000,000 (31 December 2011: RMB100,000,000) and RMB102,155,000 (31 December 2011: Nil), respectively. As at 30 June 2012, the Group had interest-bearing bank borrowings of an aggregate amount of RMB128,990,000 (31 December 2011: Nil), which were denominated in Hong Kong dollars, repayable within two years and interest-bearing at 3.15% per annum and variable rate of 2.3% below Hong Kong dollar Best Lending Rate per annum. The gearing ratio, calculated as total bank borrowings divided by equity attributable to the shareholders of the Company, amounted to 9.4% (31 December 2011: Nil).

**Contingent Liabilities**

As at 30 June 2012, the Group had no material contingent liabilities.

**Pledge of Assets**

As at 30 June 2012, pledged deposits of RMB135,558,000 (31 December 2011: RMB10,000,000) were pledged as securities for the bank borrowings (31 December 2011: bank acceptance bills) of the Group.

**Exchange Risk**

The Group conducts business primarily in Hong Kong and the mainland China with most of the transactions denominated and settled in Hong Kong dollars and Renminbi. The Group purchases some raw materials and outsourced products in Euros and U.S. dollars. Depreciation of Renminbi against these foreign currencies would increase the cost of sales of the Group, resulting in an impact on the results of operations of the Group.

The Group has not entered into any foreign exchange contracts to hedge against the fluctuations in exchange rate between Renminbi and Hong Kong dollars. However, the Group monitors foreign exchange exposure regularly and considers if there is a need to hedge against significant foreign currency exposure when necessary.

### Employee's Benefits

The Group offered its staff competitive remuneration schemes and training and development opportunities. The Group also provided in-house sales and services coaching in order to develop human capital. In addition, discretionary bonuses and share options will be granted to eligible staff based on individual and the Group's performance as a means of rewarding and retaining high-calibre staff. Since the adoption of the share option scheme on 8 October 2010 and up to 30 June 2012, no option has been granted by the Company.

As at 30 June 2012, the total number of full-time employees of the Group was 1,264. The total staff costs for the six months ended 30 June 2012 amounted to approximately RMB44,061,000 (2011: RMB33,428,000).

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

### Prospects

Given the complicated and volatile economic environment, worsening debt crisis in Europe and declining consumer sentiment, the outlook of economic growth remains uncertain. In addition, although inflation pressure in Mainland China started to ease during the first half of 2012, operating costs including material costs, labour costs and rental expenses continued to surge, resulting in challenging environment to retailers in the region. In view of the risk of economic slowdown, the PRC government implemented a series of policies in order to expand domestic demand. In the first half of 2012, the PRC government also cut interest rate for the first time since 2008 and loosened controls on bank's lending and deposit rates, exerting efforts to avoid a deepening slowdown as Europe's debt crisis continued to threaten the growth of global economy.

Nevertheless, in order to achieve sustainable growth while ensuring stability, the PRC government continued to accelerate economic restructuring, improve people's living standards and boost domestic demand and balanced growth. The continual urbanisation and constant rise in national consumption capability coupled with consumers' pursuit for better quality products imply that domestic consumption will become the key contributor to GDP growth of Mainland China in the long run.

Despite the current sluggish consumer market, the Group will continue with market expansion prudently and maintain the advantageous position in China's high-end menswear market. The Group will continue to enhance the brand image and expand its retail network prudently. With respect to strengthening the brand image of *V.E. DELURE* and *TESTANTIN*, the Group will particularly focus on the long term development and the increase and retention of VIP customers. Various specific marketing initiatives will continuously be organised to strengthen the brand recognition and value.

Meanwhile, the Group will continue to expand and enhance its retail network prudently. The Group plans to open approximately 55 new retail stores in the second half of 2012, of which approximately 25 are self-operated stores with the remaining 30 being franchised stores. In the long run, the Group is confident in the growth and development of menswear market in China, especially the mid-end to high-end segments. With the increasing national consumption power, pursuit for higher quality products by consumers and the continuous expansion of domestic demand underlined by the government policies, it is expected that the menswear market will continue to grow. As a result, by providing consumers with prestigious, contemporary as well as classic menswear products, the Group believes that it can capture the business opportunities so as to maintain its position as one of the leading high-end menswear brand operators in China.

## OTHER INFORMATION

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

As at 30 June 2012, the interests or short positions of the directors of the Company (the "Directors"), the chief executives of the Company (the "Chief Executives") and their associates in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (the "Associated Corporations"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Long/Short position	Type of interest	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company
Chan Yuk Ming	Long position	Interest in a controlled corporation ( <i>Note</i> )	575,022,086	60.60%

*Note:* The 575,022,086 Shares are owned by Pacific Success Holdings Limited ("Pacific Success"), a company wholly-owned by Mr. Chan Yuk Ming. Mr. Chan Yuk Ming is deemed to be interested in such Shares held by Pacific Success under the SFO.

Save as disclosed above, as at 30 June 2012, none of the Directors, the Chief Executives nor their associates had registered an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its Associated Corporations that 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.

### Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to the resolutions of all the shareholders passed on 8 October 2010 (the "Adoption Date") and shall be valid and effective for a period of 10 years commencing on the Adoption Date.

The board of Directors (the "Board") may, at its absolute discretion, grants options to any employees, management persons or directors of the Group and any other eligible participants upon the terms set out in the Share Option Scheme. The purpose of the Share Option Scheme is to attract and retain skilled and experienced personnel, to incentivize them to remain with the Company, to give effect to our customer-focused corporate culture, and to motivate them to strive for the Company's future development and expansion by providing them with the opportunity to acquire Shares.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option scheme of the Company shall not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (i.e. 94,669,576 Shares representing approximately 9.98% of the issued share capital of the Company as at the date of this report), 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 total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue, unless an approval of the Company's shareholders is obtained. The amount payable by the grantee on application or acceptance of an option shall be HK\$1.00. 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 Share Option Scheme.

The subscription price in respect of each Share issued pursuant to the exercise of an option granted under the Share Option Scheme shall be solely determined by the Board and shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the Shares where the Company has been listed for less than 5 business days as at the date of grant); and (c) the nominal value of a Share. The Share Option Scheme does not contain any provision of 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 at the time of offer.

Since the Adoption Date, no options have been granted pursuant to the Share Option Scheme.

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

As at 30 June 2012, 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 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 ( <i>Note 1</i> )	Long position	Interest in a controlled corporation	575,022,086	60.60%
Pacific Success ( <i>Note 1</i> )	Long position	Beneficial owner	575,022,086	60.60%
New Horizon Capital III, L.P. ("New Horizon")	Long position	Interest in a controlled corporation ( <i>Note 2</i> )	134,999,677	14.23%
Admiralfly Holdings Limited ("Admiralfly") ( <i>Note 2</i> )	Long position	Beneficial owner	134,999,677	14.23%

#### Notes:

1. The 575,022,086 Shares are owned by Pacific Success, a company wholly-owned by Mr. Chan Yuk Ming. Mr. Chan Yuk Ming is deemed to be interested in such Shares held by Pacific Success under the SFO.
2. The entire issued share capital of Admiralfly is owned by New Horizon. New Horizon is deemed to be interested in 134,999,677 Shares which are beneficially owned by Admiralfly under the SFO.

Save as disclosed above, as at 30 June 2012, the Company had not been notified of any other notifiable interests or short positions in the Shares or underlying Shares which had been recorded in the register required to be kept by the Company under section 336 of the SFO.

### Interim Dividend

The Board has declared an interim dividend of HK5.0 cents (equivalent to approximately RMB4.1 cents) per Share for the six months ended 30 June 2012. The interim dividend will be payable on or before 5 October 2012 to shareholders whose names appear on the register of members of the Company on 21 September 2012.

### Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 19 September 2012 to Friday, 21 September 2012, both days inclusive. In order to qualify for the interim dividend, all transfer documents together with the relevant share certificates should be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 18 September 2012.

### Purchase, Sale or Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period.

### Corporate Governance

On 1 April 2012, the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules ("Former CG Code") was amended and renamed as Corporate Governance Code and Corporate Governance Report ("New CG Code"). The Company has complied with the code provisions as set out in the New CG Code with effect from 1 April 2012.

In the opinion of the Directors, during the six months ended 30 June 2012, the Company has complied with the code provisions set out in the Former CG Code and New CG Code.

### **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 period.

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

### **Change of Director's Information**

Mr. Fong Wo, Felix, an independent non-executive Director, has been appointed as an independent non-executive director and a member of the audit committee of Sheen Tai Holdings Group Company Limited (a company listed on the Stock Exchange) with effect from 22 June 2012.

### **Review of Interim Results**

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members, namely Mr Kwok Chi Sun, Vincent (Chairman), Mr Fong Wo, Felix and Mr Cheng King Hoi, Andrew, all are independent non-executive Directors. The interim report of the Group for the six months ended 30 June 2012 have been reviewed and approved by the Audit Committee.

### **Forward Looking Statements**

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

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

Hong Kong  
28 August 2012

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

**INTRODUCTION**

We have reviewed the accompanying interim condensed consolidated financial statements of Evergreen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2012 set out on pages 23 to 36, which comprise the interim condensed consolidated statement of financial position as at 30 June 2012, and the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

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

**SCOPE OF REVIEW**

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

**CONCLUSION**

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

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

28 August 2012

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT***For the six months ended 30 June 2012*

		<b>Six months ended 30 June</b>	
		<b>2012</b>	<b>2011</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>		
<b>REVENUE</b>	4	<b>337,969</b>	332,040
Cost of sales	5	<b>(107,262)</b>	(109,814)
Gross profit		<b>230,707</b>	222,226
Other income and gains	4	<b>21,597</b>	24,586
Selling and distribution costs		<b>(128,864)</b>	(104,174)
Administrative expenses		<b>(22,338)</b>	(21,087)
Other expenses		<b>(2,260)</b>	(4,775)
Finance costs	6	<b>(203)</b>	–
<b>PROFIT BEFORE TAX</b>	5	<b>98,639</b>	116,776
Income tax expense	7	<b>(27,536)</b>	(28,400)
<b>PROFIT FOR THE PERIOD</b>		<b>71,103</b>	88,376
Attributable to:			
Owners of the Company		<b>71,103</b>	88,376
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	8	<b>RMB7.5 cents</b>	RMB9.0 cents

Details of the dividends for the period are disclosed in note 9 to the interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June 2012*

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>RMB'000</b> <b>(Unaudited)</b>	<b>2011</b> <b>RMB'000</b> <b>(Unaudited)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>71,103</b>	88,376
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translation of operations outside Mainland China	<b>1,005</b>	(11,024)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>72,108</b>	77,352
Attributable to:		
Owners of the Company	<b>72,108</b>	77,352

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

		30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	37,482	37,870
Goodwill		1,880	1,880
Deferred tax assets		6,170	6,589
Pledged deposits	15	103,100	–
Total non-current assets		148,632	46,339
<b>CURRENT ASSETS</b>			
Inventories	11	228,731	284,571
Trade receivables	12	121,820	144,661
Prepayments, deposits and other receivables	13	182,398	148,887
Held-to-maturity financial assets	14	102,155	–
Time deposits	15	100,000	100,000
Pledged deposits	15	32,458	10,000
Cash and cash equivalents	15	716,259	940,698
Total current assets		1,483,821	1,628,817
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	16	11,516	127,576
Other payables and accruals	17	76,165	59,473
Interest-bearing bank borrowings	18	29,491	–
Tax payable		36,102	47,701
Total current liabilities		153,274	234,750
<b>NET CURRENT ASSETS</b>		<b>1,330,547</b>	<b>1,394,067</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,479,179</b>	<b>1,440,406</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	18	99,499	–
Deferred tax liabilities		217	215
Total non-current liabilities		99,716	215
Net assets		1,379,463	1,440,191
<b>EQUITY</b>			
Issued capital	19	829	829
Reserves		1,378,634	1,306,526
Proposed final and special final dividends	9	–	132,836
Total equity		1,379,463	1,440,191

CHAN Yuk Ming  
Director

CHEN Yunan  
Director

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Note	Attributable to owners of the Company									
		Issued capital RMB'000	Share premium account RMB'000	Acquisition reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2012 (Audited)		829	853,765	2,639	1,072	46,152	28	(23,945)	426,815	132,836	1,440,191
Profit for the period		-	-	-	-	-	-	-	71,103	-	71,103
Other comprehensive income for the period:											
Exchange differences on translation of operations outside Mainland China		-	-	-	-	-	-	1,005	-	-	1,005
Total comprehensive income for the period		-	-	-	-	-	-	1,005	71,103	-	72,108
Final 2011 dividend declared	9	-	-	-	-	-	-	-	-	(132,836)	(132,836)
Transfer from retained profits		-	-	-	-	7,921	-	-	(7,921)	-	-
At 30 June 2012 (Unaudited)		829	853,765*	2,639*	1,072*	54,073*	28*	(22,940)*	489,997*	-	1,379,463

\* These reserve accounts comprise the consolidated reserves of RMB1,378,634,000 (31 December 2011: RMB1,306,526,000) in the interim condensed consolidated statement of financial position.

For the six months ended 30 June 2011

	Attributable to owners of the Company									
	Issued capital RMB'000	Share premium account RMB'000	Acquisition reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2011 (Audited)	857	1,125,510	2,639	1,072	27,411	-	(8,239)	255,513	61,878	1,466,641
Profit for the period	-	-	-	-	-	-	-	88,376	-	88,376
Other comprehensive income for the period:										
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	(11,024)	-	-	(11,024)
Total comprehensive income for the period	-	-	-	-	-	-	(11,024)	88,376	-	77,352
Final 2010 dividend declared	-	-	-	-	-	-	-	-	(61,878)	(61,878)
Repurchase of shares	(17)	(72,650)	-	-	-	17	-	(17)	-	(72,667)
Transfer from retained profits	-	-	-	-	8,035	-	-	(8,035)	-	-
At 30 June 2011 (Unaudited)	840	1,052,860	2,639	1,072	35,446	17	(19,263)	335,837	-	1,409,448

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2012*

		Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	<i>Notes</i>		
Net cash flows from operating activities		14,915	70,198
Net cash flows used in investing activities		(234,989)	(105,483)
Net cash flows used in financing activities		(4,049)	(143,920)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(224,123)</b>	<b>(179,205)</b>
Cash and cash equivalents at beginning of period		940,698	1,138,041
Effect of foreign exchange rate changes, net		(316)	(3,001)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>716,259</b>	<b>955,835</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	15	712,163	955,835
Non-pledged time deposits with original maturity of less than three months when acquired	15	4,096	–
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		<b>716,259</b>	<b>955,835</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012

### 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 26 June 2008 as an exempted company with limited liability under the Companies Law, Cap 22 of the Cayman Islands. The registered office address of the Company is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands. The principal activity of the Company is investment holding.

During the period, the Group was principally engaged in the manufacturing and trading of clothing and clothing accessories.

In the 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”).

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012 were approved and authorised for issue in accordance with a resolution of the board of directors (the “Board”) on 28 August 2012.

### 2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### Basis of preparation

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (“the Listing Rules”) and International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements do not include all information and disclosures required in the Group’s annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2011.

#### Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group’s annual consolidated financial statements for the year ended 31 December 2011. The Group has adopted the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s condensed consolidated financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
IAS 12 Amendments	Amendments to IAS 12 <i>Income Tax – Deferred Tax: Recovery of Underlying Assets</i>

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

In addition, the Group has applied the accounting policy for held-to-maturity investments during the period and the adoption of this accounting policy does not have any impact on the comparative financial information.

#### Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. 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 other income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

## 2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not early applied the following new and revised IFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements:

IFRS 1 Amendments	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards – Government Loans</i> <sup>2</sup>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> <sup>2</sup>
IFRS 9	<i>Financial Instruments</i> <sup>4</sup>
IFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
IFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
IFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
IFRS 13	<i>Fair Value Measurement</i> <sup>2</sup>
IAS 1 Amendments	Amendments to IAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> <sup>1</sup>
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits</i> <sup>2</sup>
IAS 27 (Revised)	<i>Separate Financial Statements</i> <sup>2</sup>
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup>
<i>Annual improvement to IFRSs 2009-2011 Cycle</i>	Amendments to a number of IFRSs issued in June 2012 <sup>2</sup>
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12: <i>Transition Guidance</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not in a position to state whether these new and revised IFRSs will have a significant impact on the Group's results of operations and financial position.

## 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of clothing and clothing accessories. For management purposes, the Group operates in one business unit and has one reportable operating segment as follows:

- The clothing segment produces and trades menswear and other accessories.

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

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

#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
<b>Revenue</b>		
Sale of goods	337,969	332,040
<b>Other income and gains</b>		
Bank interest income	21,132	14,261
Compensation income	1	11
Gains from sale of raw materials	133	–
Foreign exchange gains, net	–	10,115
Others	331	199
	<u>21,597</u>	<u>24,586</u>

#### 5. PROFIT BEFORE TAX

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

	<i>Notes</i>	Six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Cost of inventories sold		107,262	109,814
Depreciation	10	10,200	6,083
Operating lease rental expense:			
Minimum lease payments		6,671	8,089
Contingent rents		63,964	52,856
		<u>70,635</u>	<u>60,945</u>
Employee benefit expense:			
Wages and salaries		40,220	30,990
Pension scheme contributions		3,841	2,438
		<u>44,061</u>	<u>33,428</u>
Write-down/(write-back) of inventories to net realisable value*		(71)	3,426
Donations*		582	355
Foreign exchange losses, net*		1,720	–
		<u>1,720</u>	<u>–</u>

\* The items are included in "Other expenses" in the condensed consolidated income statement.

## 6. FINANCE COSTS

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Interest on bank loans: Wholly repayable within five years	203	–

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Current – Mainland China	26,865	25,907
Current – Hong Kong	251	707
Deferred	420	1,786
Tax charge for the period	27,536	28,400

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

No profits tax has been provided for Cayman Islands and British Virgin Islands profits both in the six months ended 30 June 2011 and 2012 since the applicable profits tax rate is zero.

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Macau profits tax has been provided at the rates ranging from 0% to 12% depending on the extent of estimated assessable profits arising in Macau during the period.

The income tax provision of the Group in respect of its operations in Mainland China has been provided at the rate of 25% (2011: 25%) on the taxable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company and the weighted average number of shares in issue during the period.

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
<b>Earnings</b> Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	71,103	88,376

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

	Number of shares	
	Six months ended 30 June	
	2012	2011
	'000	'000
<b>Shares</b>		
Number of ordinary shares in issue during the period	948,826	982,197
Effects of shares repurchased and cancelled on 26 May 2011	–	(1,777)
Effects of shares repurchased and cancelled on 14 June 2011	–	(970)
Weighted average number of ordinary shares	948,826	979,450

There were no dilutive potential ordinary shares in existence for the six months ended 30 June 2012 and 2011.

## 9. DIVIDEND

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interim dividend declared and payable of RMB4.1 cents per ordinary share (six months ended 30 June 2011: interim dividend of RMB3.7 cents per ordinary share)	38,902	35,350

The interim dividend proposed after 30 June 2012 has not been recognised as a liability in the condensed consolidated statement of financial position.

The 2011 proposed final and special final dividends of RMB132,836,000 were approved by shareholders at the annual general meeting on 4 June 2012 and were paid in June 2012.

## 10. PROPERTY, PLANT AND EQUIPMENT

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Opening balance	37,870	23,029
Additions	9,769	28,932
Disposals	(44)	(104)
Depreciation	(10,200)	(13,790)
Exchange realignment	87	(197)
Closing balance	37,482	37,870

## 11. INVENTORIES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Raw materials	13,897	5,475
Work in progress	8,720	8,183
Finished goods	206,114	270,913
Net total inventories	<u>228,731</u>	<u>284,571</u>

## 12. TRADE RECEIVABLES

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

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

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 1 month	97,023	125,702
1 to 3 months	17,687	12,095
3 to 6 months	5,462	5,717
6 months to 1 year	1,420	661
Over 1 year	228	486
Total	<u>121,820</u>	<u>144,661</u>

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Prepayments	107,187	60,186
Deposits and other receivables	75,211	88,701
Total	<u>182,398</u>	<u>148,887</u>

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

#### 14. HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity financial assets are non-guaranteed short-term investments with banks in the PRC. These investments have a determinable interest rate of 6.5% per annum and have a maturity period of 6 months.

#### 15. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS

		30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
	<i>Notes</i>		
Cash at banks and on hand		712,163	940,698
Time deposits with original maturity within three months when acquired		4,096	–
Time deposits with original maturity of over three months when acquired		235,558	110,000
		<u>951,817</u>	<u>1,050,698</u>
Less: Pledged time deposits:			
Pledged for bank acceptance bills	16	–	(10,000)
Pledged for short term bank loans	18	(32,458)	–
Pledged for long term bank loans	18	(103,100)	–
Non-pledged time deposits with original maturity of over three months when acquired		(100,000)	(100,000)
Cash and cash equivalents		<u>716,259</u>	<u>940,698</u>

#### 16. TRADE AND BILLS PAYABLES

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 1 month	5,855	14,609
1 to 3 months	2,340	33,235
3 to 6 months	733	75,672
6 months to 1 year	1,304	1,826
Over 1 year	1,284	2,234
	<u>11,516</u>	<u>127,576</u>

Trade and bills 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 and bills payables approximate to their fair values.

Included in trade and bills payables as at 31 December 2011 were bills payable of RMB50,000,000, which were non-interest-bearing and settled on terms of six months. The bills were secured by the pledged deposits of RMB10,000,000 as at 31 December 2011.

## 17. OTHER PAYABLES AND ACCRUALS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Advances from customers	29,127	6,736
Other payables	45,421	47,161
Accruals	1,617	5,576
	<u>76,165</u>	<u>59,473</u>

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

## 18. INTEREST-BEARING BANK BORROWINGS

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Hong Kong bank loans – secured, within one year	29,491	–
Hong Kong bank loans – secured, from one year to two years	99,499	–
	<u>128,990</u>	<u>–</u>

The interest-bearing bank borrowings as at 30 June 2012 were mainly from Agricultural Bank of China and Bank of Communications, which were denominated in Hong Kong dollars, repayable within one and two years and bearing interests at 3.15% per annum and variable rate of 2.3% below Hong Kong dollar Best Lending Rate per annum.

The Group's bank loans are secured by pledged time deposits as set out in note 15 above.

The carrying amounts of the Group's bank loans approximate to their fair values.

## 19. SHARE CAPITAL

The following is a summary of the authorised share capital and the issued share capital of the Company:

	30 June 2012 HK\$ (Unaudited)	31 December 2011 HK\$ (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.001 each	<u>10,000,000</u>	<u>10,000,000</u>
	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Issued and fully paid: 948,825,763 (31 December 2011: 948,825,763) ordinary shares of HK\$0.001 each	<u>829</u>	<u>829</u>

## 20. OPERATING LEASE ARRANGEMENTS

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

At 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	13,191	17,846
In the second to fifth years, inclusive	8,995	11,608
	<u>22,186</u>	<u>29,454</u>

## 21. COMMITMENTS

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Contracted, but not provided for: Leasehold improvements	<u>640</u>	<u>673</u>

## 22. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Salaries, allowances and benefits in kind	5,057	5,056
Pension scheme contributions	103	87
Total compensation paid to key management personnel	<u>5,160</u>	<u>5,143</u>

## 23. EVENT AFTER THE PERIOD

### Interim dividend

On 28 August 2012, the Directors declared an interim dividend of RMB4.1 cents per ordinary share to ordinary equity holders of the Company.